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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2181

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INTERNATIONAL AFFAIRS

CEMA COMMITMENT TO NUCLEAR ENERGY DEVELOPMENT AFFIRMED

East Berlin DIE WIRTSCHAFT in German Vol 36 No 8, 13 Aug 81 p 26

/Article by Prof Dr S. Collatz: "Nuclear Energy--A Decisive Primary Source of Energy"/

/Text/ The exhaustion of the deposits of important raw materials, in particular oil, looms in the not too distant future. Worldwide, however, we cannot really speak of the exhaustion of fossile energy sources. Oil deposits known at present will yield about 130 $\cdot 10^9$ tons SKE /hard coal units/, enough for only about 30 years at present world levels of consumption; geologically proven stocks of brown and hard coal amount to more than 3,000 $\cdot 10^9$ tons SKE. They would be capable of guaranteeing primary energy supplies for several centuries to come. Unfortunately the problems of regional distribution are immense. Many industrial and developing countries do not have adequate coal deposits. Inherent in the far reaching conversion of current energy sources to coal are tremendous technical-economic and ecological problems. Special problems also arise in the transportation of large quantities across long distances and by the pollution caused by coal burning.

How Large Are Stocks of Nuclear Fuels?

Nuclear energy has emerged at the international level as the long-range alternative to coal-based energy. The operation of nuclear reactors for large-scale electricity generation has given evidence of the reliable, economical and environmentally harmless production of energy from nuclear fuels. However, the scientific-technological advances for the full revelation of the nuclear energy potential have not yet been concluded. More long-term and extensive scientific-technological development work has to be done to settle the problem of fissionable materials supply by fast breeder reactors, the development of nuclear fuel processing facilities and possibly alternative processes to obtain fissionable materials. The fast breeder reactor is capable of converting more uranium 238 (natural uranium consists to 99.29 percent of the uranium isotope 238 and to 9.71 percent of uranium 235) into the plutonium isotope 239 (which can also be used as fissionable material) than the fissionable material it requires for energy generation, in other words it is capable of "breeding" a surplus of fissionable material for use in other nuclear reactors.

Current estimates of accessible uranium ores mentions some 5 million tons. If used in fast breeder reactors this would yield 10,000 $\cdot 10^9$ tons SKE of primary energy, that is more than coal. If, on the other hand, only thermal nuclear reactors were to be operated--capable of converting only a little of the uranium 238 content of the nuclear fuel into plutonium--the 5 million tons of uranium would produce only about $300 \cdot 10^9$ tons SKE of primary energy, roughly 2-3 times the primary energy value of the oil stocks still available. Consequently a nuclear energy system based only on thermal nuclear reactors would provide energy to only a similarly limited extent as oil does at the present time.

In some regions of the world importance for primary energy supplies will also be claimed by some processes utilizing renewable energy sources, such as solar power, water power, wind power, geothermal power, biomass, and so on. None of these, though, are likely to be in the main stream of world energy systems in the next 50 years.

GDR energy supplies currently depend mainly on brown coal. In addition we have imported oil, natural gas and hard coal as well as a little domestic natural gas. Already a respectable proportion of electricity (11 percent) is generated by nuclear energy. The following conditions will largely determine long-term GDR primary energy supplies: Annual raw brown coal output is unlikely to be raised beyond 300 million tons. The inflation of primary energy prices on the world market will continue. Imports cannot, therefore, be raised to any great extent. Moreover, oil and natural gas (and gradually coal also) will have to be increasingly used as raw materials. The Tenth SED Congress therefore drew the following conclusions regarding the development of the primary energy base: First of all, by virtue of rational energy use, the national income must grow more rapidly than primary energy needs, and secondly primary energy production will have to be consistently oriented to the utilization of brown coal and nuclear energy.

On the Status of Nuclear Energy in the GDR

This task represents a tremendous challenge to our industry responsible for energy supplies, even if the growth rates of primary energy production are significantly reduced as the result of rational energy use. The annual volume of raw brown coal output can be achieved and maintained beyond 10-20 years only by the greatest effort, because mining conditions are steadily worsening (deeper seams, smaller deposits, growing population density, and so on). Of course any large-scale transition to a basically new primary energy production technology such as nuclear energy production implies difficult tasks for the industry. We did make a good start on nuclear energy by the construction of the Bruno Leuschner nuclear power plant in Lubmin. This now has four thermal pressurized water reactors with an output of 440 megawatt per block. Electricity production costs in Lubmin are below those of new brown coal power plants. The construction of this nuclear power plant proceeded on the basis of a government agreement with the USSR which supplied the bulk of the equipment. For a country the size of our republic the independent development and production of nuclear power plants makes little sense in terms of economics. That is why the CEMA countries agreed in various resolutions jointly to deal with the introduction of nuclear energy in the national economies of their countries, based on the solid reactor developments in the USSR. Two government agreements regulate the CEMA countries cooperation in the maturation of the 1,000 megawatt thermal pressurized water reactor and the development of a high-capacity fast breeder reactor. A general agreement of the member countries largely settles the production specialization for the equipment of nuclear power plants with thermal pressurized water reactors.

Needed at the national level is the construction and expansion of capacities for greater involvement in the production of equipment for nuclear power plants. That is why this task was incorporated in the Tenth SED Congress directive to the 1981-1986 Five-Year Plan. It will be necessary gradually to reorient to nuclear energy the capacities which will be set free by the tapering off of the construction program for steam power plants based on raw brown coal. Research and development also have been given qualitatively new assignments. The specifics of nuclear energy present a tremendous challenge to the quality of the technologies and the plant designed for many years of operation.

International Trends of Nuclear Power Plant Construction

Nuclear power can be effectively developed only by far reaching international cooperation, because the total expenditure definitely exceeds the resources and possibilities of the average industrial country, let alone a developing country. In the capitalist economic region the United States took the lead in the development and large-scale industrial use of light water reactors (thermal pressurized water reactors, hot water reactors) for the production of electric energy in the 1960's and 1970's. Once some capitalist countries began to make use of the development results, independent reactor development trends arose in Europe (France, Britain, the FRG) and Japan. Some other industrial countries joined in and participated in the production of equipment. Canada pursues a relatively independent approach (natural uranium reactors).

In the capitalist world discussions on the safety of nuclear energy plants have been wide ranging. They inspired anxiety and concern among the peoples. It may be assumed that these discussions are stimulated by monopolist interests so that, for example, nuclear energy should not damage the giant oil business. Basically, though, they lack any factual scientific-technological base though the complex challenges of this new technology should not be underestimated. Next to hydro power nuclear energy is the method of energy production involving the least damage to the environment. The risk of serious breakdowns has been minimized by extraordinary technical efforts from the very beginning of nuclear development. Nor is there any real cause for pessimistic forecasts with regard to the not yet fully resolved development problems of the nuclear fuel cycle, especially the long-term storage of radioactive waste. Technical solutions are on the horizon, and for the most part it is now a matter of economic considerations only with regard to the large-scale accomplishment of the tasks involved.

What must be taken very seriously indeed, though, are the doubts of the left forces in the capitalist world. They question whether capitalist production methods as such are suitable for handling nuclear energy without injurious effects on the people.

Goal of Nuclear Energy in the Soviet Union

The solid reactor development in the USSR has provided the basis for the use of nuclear energy in the socialist camp.

Currently two nuclear reactor types are used on a large scale in the Soviet Union, the pressurized water reactor and the pressure pipe reactor. The characteristic feature of the pressurized water reactor is a huge pressure vessel made of steel (4 meters in diameter, 12 meters high, working pressure 15 megapond), which houses the entire reactor. Operating in the USSR, the CEMA countries and Finland are many nuclear power plants with 440 megawatt capacity blocks. Taken into service in 1980 was the first nuclear power plant block of this type of reactor to produce 1,000 megawatt. In the coming 20 years this reactor will represent the main variant of nuclear energy use in the CEMA region. Any further increase in the block output of pressurized water reactors involves enormous difficulties.

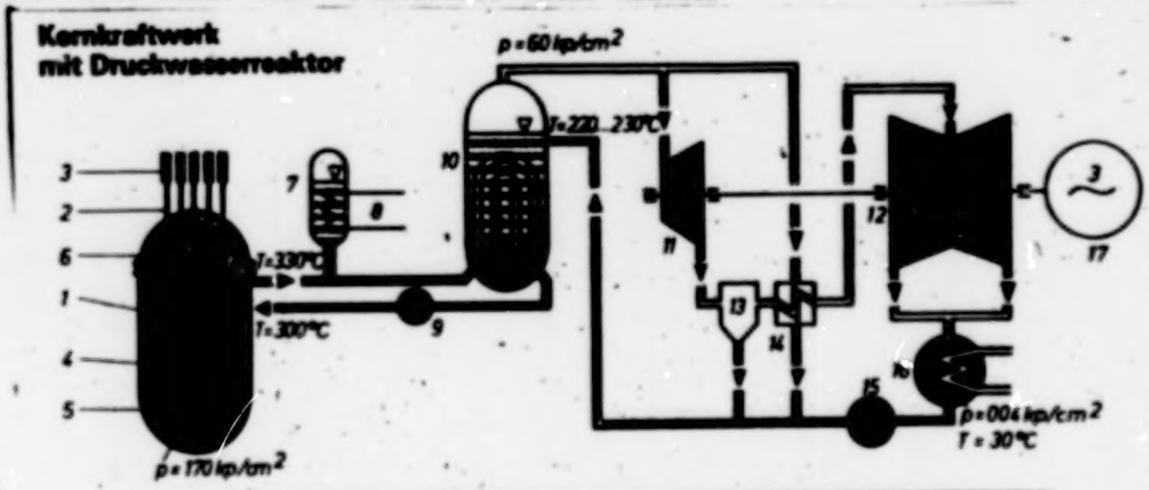
Parallel to the pressurized water reactor the USSR developed the pressure pipe reactor. Here water, the meadium carrying heat, flows in pressure pipes through the core of the reactor, and no pressure vessel is needed. A 1,000 megawatt nuclear power plant block is operating in various USSR plants. A nuclear power plant with a block output of 1,500 megawatt is under construction. In this type of reactor it is easier to achieve increased output than in the pressurized water reactor. No construction of this type of nuclear power plant is currently envisioned outside the USSR.

For reasons of nuclear energy strategy regarding the long-range assurance of nuclear fuel needs, the USSR emphasizes the development of the fast breeder reactor. By taking into service an industrial prototype reactor with a 600 megawatt block output (the BN-600 in Beloyarsk), the USSR has again demonstrated its leading international status in this field. In the 1990's the large-scale industrial use of the fast breeder reactor is to begin by way of the projects for a BN-800 (800 megawatt) and BN-1600 (1,600 megawatt). Parallel to the operation of the fast breeder reactor it will be necessary to close the nuclear fuel cycle, that is ensure the recovery of the plutonium produced from the nuclear fuel used in the operation of the reactor. This requires special nuclear chemical reprocessing plants which are still in the development stage at the present time, in order to allow large-scale operations on an international scale.

In the first stage of nuclear energy use the focus is on the production of electricity. As electricity represents only a fraction of the energy use of the national economy (about 10 percent), the use of nuclear energy for other purposes must be contemplated in the long run. Given the technical parameters of present day reactor development, the next objective appears to be nuclear energy use for the production of low temperature heat. The chief problem here is the distribution of the heat produced. For cost reasons nuclear energy plants always require relatively large production units. They could therefore be used only to supply distant heat. The simplest varient for using nuclear energy to produce heat consists in taking steam from nuclear power plants. If more than 10 percent of the steam produced are to be removed, specialized nuclear thermal plants must be developed. Unfortunately the practical application of these two variants is rather limited due to the enormous demands on the locations of such nuclear power plants or nuclear thermal plants. Consequently the USSR is now developing a specialized nuclear thermal plant with a block capacity of 500 megawatt thermal output, the AST-500. In present circumstances it would be easier to operate with a smaller block output (100-200 megawatt) in the distant heat networks of the CEMA countries. However, it is very difficult indeed to realize smaller block capacities at acceptable investment costs.

In the long run nuclear energy will also be used for technological high-temperature processes in the metallurgical and chemical industries. First of all it will be necessary to achieve the technological development of the high-temperature reactor. The large-scale operation of such reactors will not be possible worldwide before the year 2000. A qualitatively new stage of nuclear energy will be initiated by nuclear fusion. As, however, large-scale development has not even begun, the industrial operation of such facilities cannot be expected before 2010-2020.

Nuclear Power Plant With Pressurized Water Reactor



Key:

1. Core
2. Control rods
3. Control rod drives
4. Thermal shield
5. Pressure vessel
6. Reactor lid
7. Pressure mount
8. Electric heating
9. Principal circulating pump
10. Steam generator
11. Turbine (high pressure part)
12. Turbine (low pressure part)
13. Water separator
14. Superheater
15. Pump
16. Condenser
17. A.C. alternator

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CSO: 2300/324

INTERNATIONAL AFFAIRS

AGRICULTURAL DEVELOPMENT IN CEMA COUNTRIES ANALYZED

Budapest GAZDASAG in Hungarian No 1, 1981 pp 114-132

[Article by Andras Csepely-Knorr and Laszlo Szakonyi: "The Development of Agriculture in the European CEMA Countries"]

[Text] Studies casting light on the development and circumstances of the agricultural production of socialist countries can contribute to a discovery of the developmental possibilities of Hungarian agriculture and to improving the conditions of its competitiveness. In the course of our studies we analyzed the seven European member countries of CEMA. (Due to the restrictions of space we had to ignore an examination of Yugoslav agricultural development, which is instructive in many respects.)

The Growth of Production

In the majority of the European socialist countries the socialist reorganization of agriculture lasted from the end of the 1950's to the beginning of the 1970's. This meant that the large farms that were created "tooled up" and overcame their initial problems in the first part of 1960's. So it is appropriate to begin the examination of the development of agricultural production with the period following this. To eliminate, or at least moderate, the effect of weather factors we examined the changes as 5 year averages (a 3 year average in the last period, to use the data available). (See Table 1.)

Table 1. Annual Average Growth Rate of Production (percent)

(1) [illegible]	1966–1970	1971–1975	1976–1978	1976–1978
	(2) [illegible]			(3) 1961–1965 [illegible]
Bulgária (4)	4,7	2,3	2,8	3,3
Csehszlovákia	3,5	2,8	2,5	2,9
Lengyelország	3,0	3,2	1,0	2,4
Magyarország	3,0	3,5	4,1	3,5
NDK	3,7	2,1	1,9	2,6
Románia	4,2	4,8	7,4	5,8
Szovjetunió	4,1	2,5	2,6	3,1

(5) *Forrás:* 30 éves a KGST. KSH, 1979.

Key:
1. Country
2. Average for these years as compared to the average for the preceding 5 years
3. As an average for the entire period 1961-1965
4. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
5. Source: "CEMA is 30 Years Old," Central Statistics Office, 1979

The development of agriculture was at a swift rate in the period between 1966 and 1970 despite the fact that weather conditions frequently did not favor agriculture. Two factors played an essential role in achieving these results (in addition to the relatively low base), in the first place the economic consolidation of the large farms and in the second place those measures which were taken in every member country to develop production, strengthen the material-technical base and increase the material interest of the large farms and of those working in agriculture. The rate of growth decreased in the first half of the 1970's in four countries (Bulgaria, Czechoslovakia, the GDR and the Soviet Union). Polish, Hungarian and Romanian agriculture, however, were able to increase production dynamically and they stood out among the member countries with their rate of growth. In the years 1976-1978 the growth rate of only Hungarian and Romanian agriculture increased, while that of the other countries essentially stagnated, or decreased. Looking at the development of almost two decades the production of Romanian agriculture certainly increased most swiftly, by an average annual 5.8 percent. That of Hungary took second place with 3.5 percent; Bulgaria and the Soviet Union followed with a growth of 3.3 percent and 3.1 percent respectively. And Czechoslovakia, the GDR and Poland ended the series with average annual growth rates of 2.9, 2.6 and 2.4 percent respectively.

It is obvious that this slowing of the rate must be judged differently in the GDR and Czechoslovakia, which had achieved a high production level earlier, than in, for example, Polish agriculture, which is based largely on small scale production and shows more modest results. (We will return to this question.)

In order to increase the standard of living of the populace there was need in the socialist countries, and still is a need today, primarily to improve the supply of proteins and supply more animal products. More recently this has been linked to increased consumption of vegetables and fruits, in the interest of achieving a more healthy food consumption structure. As a result of effective measures taken in the interest of a better supply of proteins of animal origin the stocks of hogs and poultry have increased in the majority of the member countries. The industrial type raising of poultry and the switch to industrial type production methods for poultry industry products contributed to this in virtually every country. In addition to larger stocks the growth in the production of beef is the result of, on the one hand, the spread of intensive calf raising and beef fattening methods and, on the other hand, improving the breeding stock and partially changing the breeds.

The specific production achievements in the various countries deviate greatly in animal raising in a way similar to crop production. This statement applies to meat production also. The experiences show unambiguously that at our present level of development human factors play the primary determining role in production achievements. The potential productivity of breeds, animal keeping technology and the feeding which is an organic part of this and animal hygiene all have an effect on the number and ratio of the increment raised. Exploitation of the possibility differs from country to country but there are also significant differences among types of animals. In contrast to crop production it is an essential difference that the development of animal raising, and thus the increase in meat production, can be achieved by extensive means, thus by increasing stocks. The extensive and intensive path of development played a role in every country, at different times, and will play a role in the future also in increasing meat production. (See Table 2.)

Table 2: Annual Average Growth Rate of Per Capita Meat Production (percent)

(1) Ország	1966–1970	1971–1975	1976–1978	1976–1978
	(2) [illegible]			(3) 1961–1965 [illegible]
Bulgaria (4)	1,0	13,0	[illegible]3	7,6
Csehszlovákia	10,1	11,7	1[illegible],0	10,9
Lengyelország	4,7	22,5	0	8,7
Magyarország	10,6	16,8	[illegible],9	11,0
NDK	13,6	17,7	−1,0	9,8
Románia	20,9	21,5	11,1	17,7
Szovjetunió	18,6	6,5	0	8,1

(5) Forrás: Negyedéves Statisztikai Közlemények. Mezőgazdasági Adatok. KSH, 1980

Key:

1. Country
2. Average for these years as compared to the average for the preceding 5 years
3. As an average for the entire period 1961-1965
4. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
5. Source: Quarterly Statistical Publications, Agricultural Data, Central Statistics Office, 1980

The deviation among the individual countries is significant in the dynamics of growth. It can be established unambiguously that the rate of growth decreased everywhere by the end of the 1970's (least of all in Czechoslovakia). The zero growth data for Poland and the Soviet Union and the decreasing production of the GDR merit special attention. The growth of agriculture as a whole was lowest in these three countries in these years and it appears that this was not sufficient to supply the increasing population with more meat products from domestic production (population decreased in the GDR). We will see the consequences of this when we examine the role of agriculture in foreign trade.

Bulgaria, Czechoslovakia, Hungary and Romania increased per capita meat production consistently, if to varying degrees. Looking at the period examined as a whole the growth rate was lowest in Bulgaria as a result of the very weak growth in the years 1966-1970 (an average of one percent per year). Romania leads—in a manner similar to total agricultural production—followed by Czechoslovakia and Hungary, and then the other four countries.

The rate of growth is a good indication of the dynamics of development, although since they started from differing bases it does not give a true picture of the level of development of agriculture. A knowledge of this is essential for a correct judgment of the rate of growth. The quantity of all grain types and of meat production, per unit area or per capita, from domestic production is more or less suitable to indicate the production level and the degree of supply.

The average data for the 3 years 1976-1978 are a good indication of the essential differences between the countries. (See Table 3.)

Table 3: Specific Indexes of Grain and Meat Production (average for the years 1976-1978) (figures in kilograms)

/kg/

(1) Ország	(2) Egy hektárra jutó termelés		(4) Egy lakosra jutó termelés	
	gabona-	hús- (3)	gabona-	hús- (5)
	kg/gabona terület	kg/mg-i terület	kg/fő	kg/fő
Bulgária (6)	3425	102	895	69,7
Csehszlovákia	3802	190	674	89,1
Lengyelország	2615	142	594	79,5
Magyarország	4077	194	1162	124,6
NDK	3506	276	525	104,2
Románia	3015	99	889	68,4
Szovjetunió	1704	24	815	55,9

(7) *Forrás:*
FAO Production Yearbook 1978. FAO, 1979.

Key:
1. Country
2. Grain production per hectare of grain area
3. Meat production per hectare of agricultural area
4. Grain production per inhabitant
5. Meat production per inhabitant
6. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
7. Source: FAO Production Yearbook, 1978; FAO, 1979

The specific indexes are favorable in our homeland. Calculated by sowing area for all cereals per hectare Hungary was the first to achieve yields greater than 4 tons as a 3 year average and we are in second place, after the GDR, in total meat production per unit of agriculturally cultivated land. Our position is even more favorable in production per inhabitant for both grains and meat production; by the end of the 1970's we surpassed by 20 percent those CEMA countries which had achieved the best results in these areas, Bulgaria in cereals and the GDR in meat production.

The rank order of the countries is also a good indication of differences in rate of growth and actual level achieved and this is influenced by the arable land possibilities, the quality of the land and climate factors. So the data serve to describe the situation, not to pass judgment.

The Division of Labor Between Large Farms and Small Producers

In the majority of the socialist countries the production of the household plots and auxiliary farms is very significant. On the basis of 17 stressed products representing 80 percent of production, calculated at ruble prices, the activity of small producers in 1974 accounted for between 11 and 35 percent of the gross agricultural production value of the socialist countries (Poland excepted). The greatest proportion was for the labor-demanding crop production and the animal husbandry branches. Thus small producers produced 6-64 percent of the potatoes, 14-44 percent of the vegetables, 38-58 percent of the fruits, 19-59 percent of the meat and bacon, 16-65 percent of the poultry, 9-53 percent of the milk and 41-68 percent of the eggs in the various countries.

Since the beginning of the reorganization of agriculture in the socialist countries there have been periods when agricultural small production has been limited by administrative means for political considerations. Measures which upset the balance of economic development and ignored the scantiness of economic resources caused serious damage to the countries. Thus, in general, these measures were ultimately reviewed.

(In our study we will not deal with Poland and the German Democratic Republic. Relationships which differ from the other socialist countries are characteristic of Polish agriculture; 75 percent of the agriculturally cultivated area is privately owned so small production cannot be regarded as an activity auxiliary to large scale socialist farming. In the GDR the ratio of type I and II cooperatives is relatively high--14 percent--and the ratio of household plot farming, especially animal husbandry, is very high on these. The statistical publications of the GDR do not distinguish the household plots of the cooperatives but in general include the data in the socialist sector.)

In Bulgaria, despite the reduction between 1960 and 1968, the share of small production in the gross production of agriculture is considerable; in 1968 it provided 22 percent of all crop production and 33 percent of animal husbandry. The number employed in agriculture is decreasing as a result of industrialization and the modernization of agriculture and parallel with this there is a reduction in the number of and production by the farms of producer cooperative peasants. At the same time the ratio of auxiliary farms of workers, employees and industrial cooperative members has increased several times.

In 1970, overestimating the possibility for a swift development of large agricultural farms and for the industrialization of agriculture and overestimating the ability of the people's economy to bear the load, they introduced strict limitations, but these were reviewed and substantially moderated in 1971. This included a change in the goods transfer obligations of state and cooperative purchasing organizations. In 1973 the Council of Ministers rescinded additional, still existing limitations. As a result of this small production in 1974 reached 16 percent of the gross production of agriculture. The growth in production prompted the leadership of the branch to make surprisingly high prescriptions. According to the program prescribed for 1980 the cow stocks of the small producers will increase to 200,000 as compared to 43,000 in 1974 and hog stocks will increase from 480,000 to 2.5 million, which will be followed by a significant increase in production. (For example, they are planning state purchases of 650 million eggs annually.) The fivefold increase in animal stocks, although it contradicts international and domestic experience, could contribute to a resolution of balance problems.

In Czechoslovakia a conception aimed at forcing back small production has been implemented rather strongly. Although the CPCZ took action against measures of an administrative character the government measures (passed in 1972) regulating the activity of agricultural producer cooperatives continue to limit small production. There can hardly be any doubt that the limitation on small production influenced the average annual growth of 2.6 percent between 1971 and 1975 which fell below the achievement of the preceding five-year plan period (3.6 percent) and even the planned growth (2.7 percent), despite which small production provided 15 percent of the gross agricultural production value even in 1974.

In Romania small production is more heavily concentrated on the household plots of workers on the large farms than it is in the other countries. The reason for this is that the ratio of the populace making their living from agriculture is still very high (almost 50 percent). In 1968 the household plots provided 40-48 percent of all grape and fruit production, 42 percent of the meat, 39 percent of the milk and 63 percent of the eggs. In order to encourage the production of animals and animal products--in addition to increasing the state purchasing prices and periodic delivery price premiums--the small producers get an animal breeding premium and, if they meet certain conditions, can get partial exemption from the income tax. As a result of the incentive measures small production had a share of 31 percent in 1974 in the gross production of Romanian agriculture, which was developing at a swift pace.

In the Soviet Union, at the end of the 1950's, the kolkhoz peasants marketed 19-21 percent of the products produced in crop production and 21-24 percent of the animals and animal products. The period was characterized by contradictory positions in connection with small production and in the middle 1960's the production of household plots declined. As a result 33 percent less reached the city kolkhoz markets and market prices increased by an average of 27 percent, including an almost 40 percent increase in the kolkhoz market price for products of animal husbandry. The March 1965 plenum of the Central Committee of the CPSU pointed out that there must be a change in the judgment of the personal auxiliary farms, which had been unjustifiably restricted in preceding years. Since then it has been possible to report on consistently formulated and implemented measures in the Soviet Union. The measures were justified in part by the fact that the individual auxiliary farms made it possible to exploit reserves for an increase in agricultural production without capital investment by the state and in part by the fact that the Soviet state had an interest in maintaining the individual auxiliary farms of the workers because at the given level of the development of the forces of production they constitute an important source for raising the standard of living.

The 10 percent expansion of small production played no small role in the increase in agricultural production between 1966 and 1970. Despite this, its share in gross production decreased and was 21 percent in 1974. In addition to the realization of this natural process, however, one cannot ignore the change in volume which is in the opposite direction. Between 1950 and 1975 the share of small production in the production of meat and animal products decreased to less than half. At the same time the quantity of meat production increased by 44 percent in small production and that of egg production increased by 118 percent.

Small production in the Soviet Union is increasingly differentiated. As an average for the years 1953-1955 21.6 percent of the small producers were workers and employees; their ratio increased to 45 percent as an average for the years 1971-1974. In this latter period the small farms of workers and employees provided 46.3 percent of the gross production value of small production. In the future one must reckon with this in production and in the generation of income alike.

From both the theoretical and practical viewpoint the 26th congress of the CPSU passed a resolution of great significance in regard to encouraging production on household plots. The resolution prescribes the creation of material and moral conditions which will increase the interest of citizens in household plot farming. This has been supplemented by measures serving development which the Soviet leadership has taken in recent years to strengthen the role of household plots and which are intended to raise household plot farming from an activity tolerated at the "theoretical level" to an undertaking encouraged and espoused centrally. The consistent realization of this means a serious step in exploiting the reserves of food production.

In Hungary, in the 15 years between 1961 and 1975, the production of large farms and small producers developed very differently in regard to both volume and structure (calculating at unchanged 1968 prices). Compared to the dynamic growth rate achieved by the large farms, an annual average of 5.3 percent for the 15 years, the one percent increase of small production is very modest. As a result of this the relative share of production by large farms and small producers changed fundamentally also. In 1961 small production reached 84 percent of the production of the large farms but in 1975 it reached only 48 percent.

Within production the change in the share of the two main branches, crop production and animal husbandry, is worthy of note. As an average for the years 1961-1965 there was a very great difference between the shares of the two main branches. In animal husbandry small production exceeded large scale production by 31.7 percent while in crop production it reached only 42.4 percent of it even then. As a result of the differing growth rates the share of small production has decreased in both main branches. In 1975 the share relative to large scale production was only 28 percent in crop production and 84 percent in animal husbandry.

The superiority of the large farms in crop production cannot be disputed because they farm the overwhelming share of the land; in addition to plow land, vineyards and orchards used as household plots the small producers are limited primarily to garden production around the house. In contrast to this they have a very significant capacity available in animal husbandry the exploitation of which is economically rational because the investment--primarily construction--possibilities of the large farms are limited. The development of large scale animal husbandry and replacement of the capacity of the small producers would require large investments. For a rather long time still the utilization of the animal husbandry capacity of the small producers will offer a good opportunity to supplement large scale production and satisfy the increasing (domestic and export) needs of the people's economy for meat and animal products.

In our homeland also the structure of small production has changed greatly and this process has not yet concluded. In the past 15 years the production of the household plots of producer cooperative members increased by an annual average of 0.2 percent while the annual average growth rate for agricultural production by workers, employees and pensioners was 2.7 percent. The ratio as an average for the years 1961-1965 was two-thirds to one third, to the benefit of the household plots; by 1980 this had changed to roughly half and half. The change took place relatively equally in both main branches. We must note that in the period of the Fourth Five-Year Plan the production of the household plots, within small production, began to decline. Because of the decreasing number of those making their living from agriculture we cannot regard this phenomenon as reversible; it will make permanent the growth within small production of the share of the worker and employee strata. This process can be moderated in many branches with appropriate tools, by realizing a correct economic view and by improving material-technical supply, the linkage system, product trade, etc.

According to one of the views in connection with small scale agricultural production producer use (materials, material costs, services) represent a relatively modest ratio in production--the manual labor of the producers is definitive. The logical extension of this conception is the hypothesis that the production value of or sales receipts for products produced in small production are essentially the personal income of the small producers (in commodity production directly in money or indirectly via purchases not made in the case of production for one's own consumption). In this case increasing production leads to increasing the income of the small producers. This train of thought is no longer valid.

In the 1960's the rate of growth in production was still certainly swifter than that for producer use but the situation reversed already in the period of the Fourth Five-Year Plan--in every group the growth in producer use was at a substantially higher rate than that for production. The results achieved in production technology on the large farms had an effect on small production also. Every year there was an increase in the amount of artificial fertilizer, crop protection materials, industrial fodders and other production tools used, which manifested itself in a swift increase in producer use, increasing the ratio as compared to production. Expressed in percent of gross production it exceeded 45 percent in every small production group in 1975. In regard to the future also we must certainly count on a growth in producer use at a rate exceeding that of gross production.

Between 1961 and 1975 the total gross income as characterized by the difference between gross production value and producer use increased by an annual average of 4.6 percent in small production. The growth rate was 3.1 percent on the household plots and 5.8 percent on the auxiliary farms. Not only was the growth rate on the household plots smaller and decreasing over the years but between 1971 and 1975 even the total income was smaller. The income of the cooperative peasantry from small production decreased from 9.5 billion forints in 1970 to 7.7 billion in 1975 while that of the worker class increased from 7.1 billion to 10.2 billion.

The technology invading small production and the increasing use of tools of production of industrial origin is already encouraging and in the future will increasingly encourage the small producers to specialize. Only in this way can they make effective use of the industrial materials and tools which are becoming more expensive but which are used in ever greater quantities despite this. This means that the ratio of personal consumption will decrease as compared to production.

In the Fourth Five-Year Plan period trade in agricultural products in small production increased dynamically, by 13.4 percent per year. In contrast to the relatively modest growth rate for crop production, 3.5 percent, the great increase in porker sales (from 2.4 billion forints to 8.5 billion forints) resulted in a 17.6 percent growth rate for animal husbandry. The change in ratio between the two small producer groups can also be felt in commodity trade. During the plan period the share of the auxiliary farms increased from 22.7 percent to 31 percent.

In addition to commodity production one should not ignore the role of small production in partially satisfying personal consumption and thus relieving provincial foodstuffs trade, which is struggling with difficulties. In 1971-1975 the ratio of personal consumption from production was 40-60 percent for vegetables, 30-50 percent for fruits, 40 percent for slaughter hogs and 80 percent for slaughter poultry. Small production activity provided for consumption by the 1.6 million producing families a quantity of goods which the commercial network, even if it had the appropriate large scale production background, could not provide the populace for a long time yet if it were to meet the needs adequately in time and space.

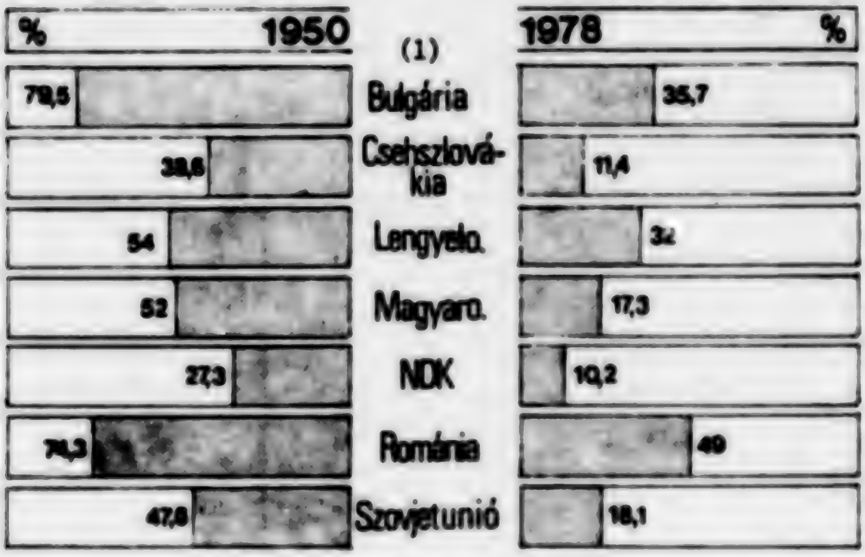
To sum up, we can say that, of the socialist countries, in the Soviet Union and in Bulgaria (in harmony with our domestic practice) a uniform economic policy "treatment" of the small producers is becoming increasingly general in many respects. In Romania small production is still limited primarily to the household plots of the producer cooperative members, but the state is aiding their development with planned economic tools. Czechoslovakia is the only country where they have tried a gradual suppression of small production on the basis of more or less central intentions. (Most recently, however, they have reviewed this position.)

In every country the degree of reduction in or the encouragement of growth in small production is now primarily an economic question. The ability of the economy to bear the burden determines whether the investments of the large farms from central developmental funds are sufficient to replace the small production capacity and, parallel with this, build up additional capacity to ensure the development of the branch. In addition, the differentiated developmental levels of the productive forces of the branches play an important role in the development of the relatively diverse production scales. In our social policy small production has a planned place within the socialist economy and from the economic viewpoint the household plots and auxiliary farms have become a very important part of large scale production.

Development of the Ratios of the Populace Making a Living from Agriculture

The ending of traditional small peasant farming and the development of the large farms in itself meant that a smaller labor force could carry out the same activity. The improvement in technical supply and the gradual spread of modern production and animal husbandry technologies strengthened this and meant a crucial change in the number of people making a living from agriculture and in their ratio within the people's economy. The decreasing ratio of active earners employed in agriculture and forestry indicates the gradualness and, at the same time, the swift rate of the change. (See Figure 1.)

Figure 1: Ratio of Active Earners Employed in Agriculture and Forestry



Key:
1. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union

The ratios themselves do not indicate unambiguously the technical supply to agriculture and even less the changes which have taken place in the level of farming. The size and composition (cultivation branches) of the useable agricultural area available in the various countries, its ratio in relation to the size of the population, in this connection the domestic supply capability of agriculture, the weight of export and import of agricultural products and foodstuffs, the volume and developmental level [illegible] industrial production are all factors which require a larger or smaller proportion of agricultural workers--independent of the technical supply or developmental level of agriculture.

Compared to capitalist agriculture (as an apparent contradiction) the organizational structure and activity sphere of large socialist farms limits the reduction in the number and ratio of earners. All the machine work devoted to basic agricultural activity, transportation of the materials and tools used in production and of the products produced, and maintenance, repair and even renewal of buildings and machines are satisfied within the large farms with their own tools and manpower. In general, to differing degrees in different countries, a significant proportion of these jobs are performed as services in capitalist countries. (And the personnel of the service organizations or enterprises are counted statistically not in agriculture but rather in the service branches.)

In addition, the role of processing, industrial and construction industry activity in the large farms is significant. This--especially in Hungarian agriculture--is the chief limiting factor on a swift reduction in the number and ratio of agricultural earners. Despite all this (with the exception of Poland and Romania) the ratio of the population making a living from agriculture has decreased to less than half together with a dynamic increase in production. The number and ratio of those employed in agriculture is still substantially higher in Poland because of the definitive ratio of small farms, in Romania because of the lower level of technical supply and in Bulgaria because of the greater ratio of labor-demanding cultures.

The Spread of Large Scale Technology

In agriculture also (as in every producing activity) the replacement of live work is possible only with the use of modern technology. In agriculture one can add to this the need to develop biological factors.

It is customary to characterize the level of mechanization by the degree of mechanization of soil work and harvesting, on the one hand, and of the chief phases of animal husbandry (for example, milking, feeding, watering, manure removal) on the other. The mechanization of soil work and the harvesting of grains with combines has been solved on the large farms of the socialist countries. Making general the machine harvesting of sugar beets, potatoes and a few vegetable types is well along. In animal husbandry the first thing was the spread of self-watering equipment, then complete mechanization in broiler raising became general. Mechanical milking is spreading quickly as is the use of stable and mobile feeding equipment and manure removers.

One index of modern farming ensuring large yields is the amount of artificial fertilizer used per unit area. Artificial fertilizer use calculated in effective material (average dispersion) per hectare of plow land differs extraordinarily in the several countries, the spread is very great. (See Table 4.) The data prove convincingly that by 1960 Czechoslovakia and the GDR, traditionally forced to import foodstuffs but with developed industries, far surpassed the other countries in artificial fertilizer use. So the higher production level which developed is not by chance. In regard to the growth rate for use Romania, Hungary and the Soviet Union are in the lead. Of these our homeland has approached best of all the two leading users. We should note that in the years following 1975 the amount of artificial fertilizer effective material used per unit area decreased in the GDR. Other developments to ensure the harmony of production factors became primary in the GDR.

Table 4: Development of Artificial Fertilizer Use

Ország (1)	(2) Felhasznált hatóanyag 1960	1970	1980	A növekedés évi átlagos üteme 1960–1980-ban, százalék (3)
	(4) kilogramm/hektár			
Bulgária (5)	37	154	187	9,4
Csehszlovákia	99	246	341	7,1
Lengyelország	47	160	245	9,6
Magyarország	31	161	303	13,5
NDK	196	332	360	3,3
Románia	8	72	151	17,7
Szovjetunió	11	46	81	11,7

(6) *Forrás:* A Kölcsönös Gazdasági Segítség Tanácsához tartozó tagországok mezőgazdasága. (Statisztikai Adatgyűjtemény), 1974. Negyedéves Statisztikai Közlemények. Mezőgazdasági Adatok 1979. 4. KSH, 1980.

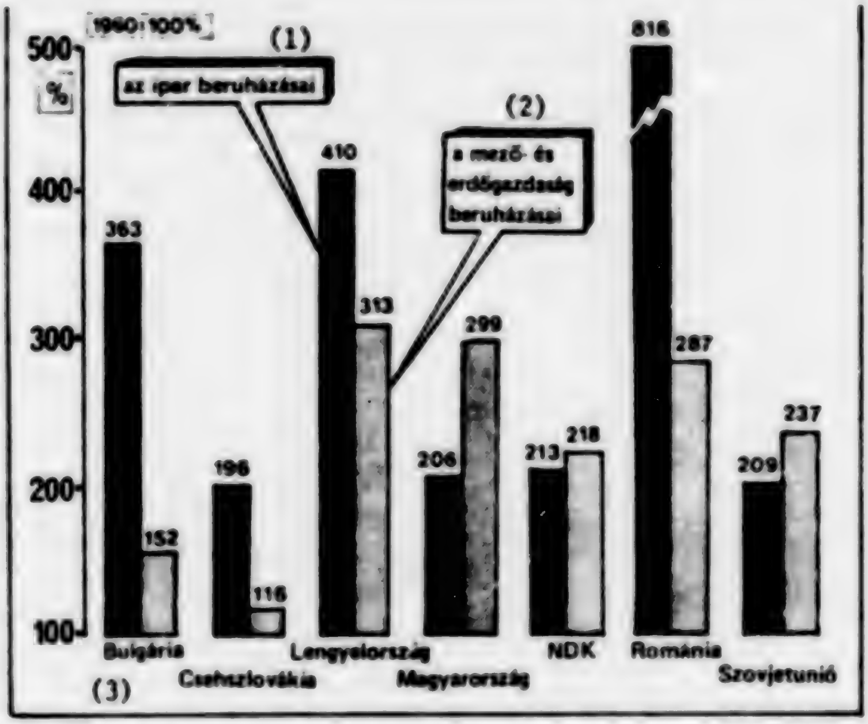
Key:
1. Country
2. Effective material used
3. Annual average rate of growth in 1960-1980, percent
4. Kilograms per hectare
5. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
6. Source: "Agriculture of Member Countries Belonging to CEMA" (Collection of Statistical Data), 1974; "Quarterly Statistical Publications, Agricultural Data, 1979," 4, Central Statistics Office, 1980.

Within the framework of the chemicalization program the composition and variety of crop protection materials and herbicide materials changed qualitatively. Very concentrated and more effective products took the place of the materials used earlier--most of them very bulky. At the same time (but to a differing degree in different countries) the idea came to the fore to coordinate the chemicalization program for agricultural production with the requirements for environmental and nature protection.

In the 1960's the development of agriculture in the countries carrying out the socialist reorganization also meant that a large part of the animal stocks of the small farms were transferred to the socialist farms. This change of sector tied down significant investment assets without increasing productive capacity (stocks) at the level of the people's economy. At the same time the change of sector presumed the acquisition of a large scale machine park in the place of the small peasant tools of production. With the aid of these, however, not only was the earlier horse powered work replaced with better quality work (not least of all work done in time) but also specifically greater yields were achieved.

In addition to the burdens of the so-called sectoral change it was necessary, in the course of the swift progress, to expand the fixed assets of the large farms in accordance with the demands being made in regard to the development of production. The growth indexes for investments in the several countries bear witness to the solution of large and extraordinary tasks. (See Figure 2.) Because of the differing volumes of the base period (1960) and because of the very differing character of individual years one cannot draw unambiguous conclusions from the indexes. The different countries cannot be compared with one another on the basis of these indexes. But it is striking that the growth indexes for agricultural investments in several countries exceeded the industrial index. This indicates not only the earlier, relative backwardness of agriculture but also underscores the weight of the investment tasks connected with the socialist reorganization and sectoral change.

Figure 2: Average Volume of Productive Investments for 1970-1973 (1960 equals 100)



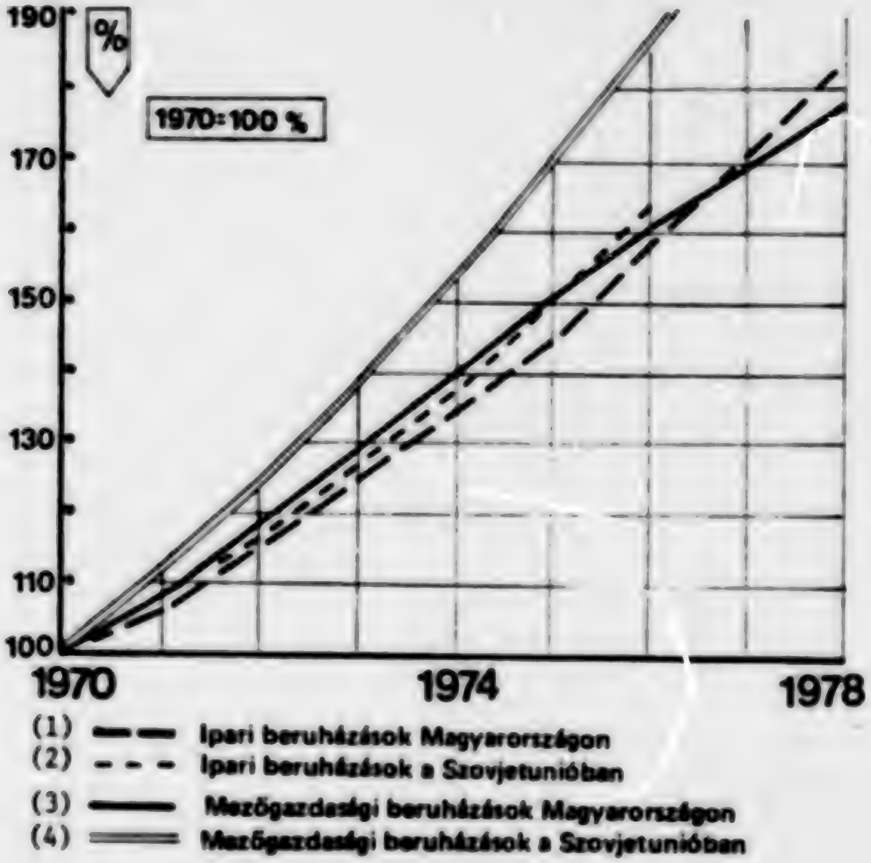
(4) Forrás: A Kölcsönös Gazdasági Segítség Tanácsához tartozó tagországok népgazdasága. Statisztikai adatgyűjtemény, 1974.

Key:

1. Investments of industry
2. Investments of agriculture and forestry
3. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
4. Source: "Economy of the Member Countries Belonging to CEMA," statistical data collection, 1974

In Hungary after 1976 the "sign" of the rate difference between industrial and agricultural investments changed; the dynamic of industrial investments, compared to 1970, was somewhat swifter than the rate of growth for agricultural developments. It is worthy of note that in the Soviet Union (in the interest of the effort directed at better domestic supply and self-supply) the situation which had developed in the 1960's continued unchanged and even strengthened; the growth rate for agricultural investments, compared to 1970, exceeded the growth in industrial investments by 24 percentage points. (See Figure 3.)

Figure 3: Industrial and Agricultural Investments in Hungary and the Soviet Union (1970 equals 100)



(5)
Forrás: Statisztikai Évkönyv, 1978. KSH
A Szovjetunió számokban, 1976.
A Szovjetunió Minisztertanácsa mellett működő Központi Statisztikai Hivatal, 1977.

Key:

1. Industrial investments in Hungary
2. Industrial investments in the Soviet Union
3. Agricultural investments in Hungary
4. Agricultural investments in the Soviet Union
5. Sources: Statistical Yearbook 1978, Central Statistics Office; "The Soviet Union in Figures," 1976; the Central Statistics Office working with the Council of Ministers of the Soviet Union, 1977.

The Weight of Agriculture in the People's Economy

As a result of the industrial development carried out in the socialist countries in the past 30 years (within the framework of catching up with the industrially developed countries) the rate of growth of industry and of industrial production surpassed agricultural growth. As a result of this deliberate economic policy a significant change took place in the economic structures of the CEMA countries.

The effect of the structural change appears in the various economic branches and thus in the ratio of the contribution of agriculture to the national income also.

(See Table 5.) Despite a decreasing trend in its contribution to the national income, agriculture represents a significant proportion and in essence this determines (together with other criteria) its role and significance in the economies of the member countries.

Table 5: Contribution of Agriculture and Forestry to the National Income (Percent)

Ország (1)	1950	1960	1970	1975	1977
Bulgária	42,5	32,2	22,6	21,9	18,3
Csehszlovákia	16,2	14,7	10,1	8,3	9,1
Lengyelország	47,9	30,3	17,5	15,1	15,8
Magyarország	47,7	29,2	16,8	16,3	18,3
NDK	28,4	16,4	11,6	10,0	10,1
Románia	27,3	34,9	19,1	16,6	16,9
Szovjetunió	22,2	20,7	22,0	16,8	17,1

(2) *Forrás:* 30 éves a KGST. KSH, 1979. Negyedéves Statisztikai Közlemények. Mezőgazdasági Adatok 1979 4. KSH, 1980.

Key:

1. Country: Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
2. Source: "CEMA is 30 Years Old," Central Statistics Office, 1979; Quarterly Statistical Publications, Agricultural Data 1979, 4, Central Statistics Office, 1980.

A substantial difference can be found in the trends for the 1960's and for the 1970's. In the 1960's, when (with the exception of the Soviet Union) the number of those making their living from agriculture decreased swiftly parallel with the formation of the large farms, industry went through a stage of extensive development, partly supported on the work force being freed from agriculture, and the contribution of agriculture to the national income decreased greatly. In general, with the exception of the already strongly industrialized Czechoslovakia and GDR, the drop in the proportional share exceeded 10 percentage points. In the 1970's this trend slowed substantially, and this is also true of Czechoslovakia and the GDR. In contrast to the spectacular decrease the moderation over 7 years moved in general between only 1-4 percentage points. As a result of deviant results for individual years there was even an increase, for example between 1975 and 1977 (with the exception of Bulgaria).

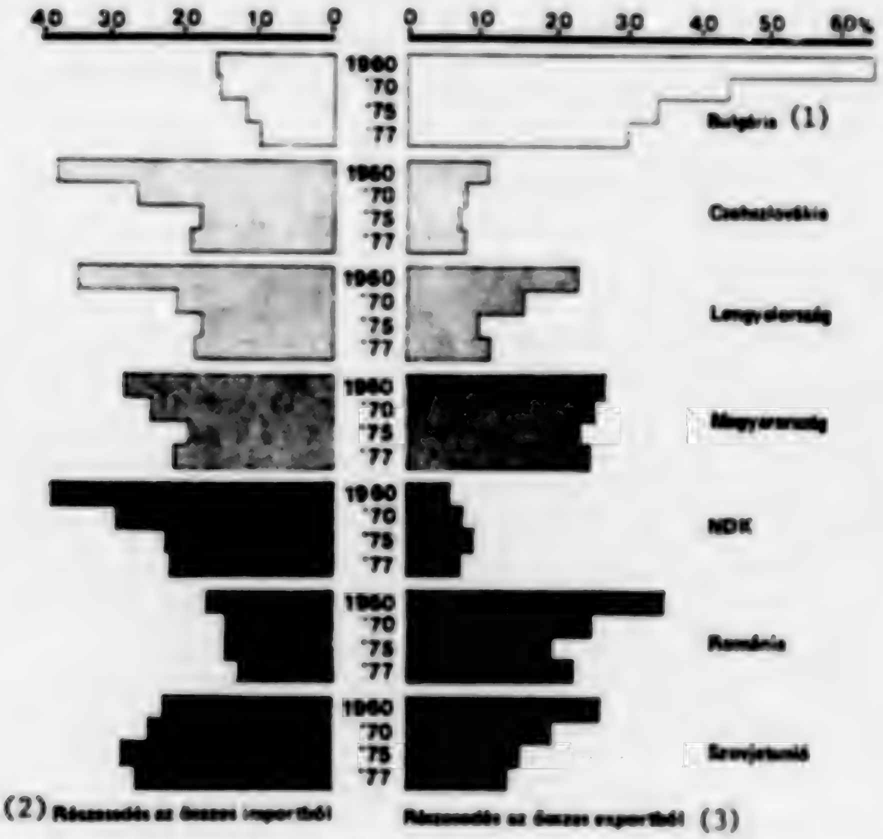
The development of data on the contribution to the national income can be basically influenced by changes in the price system, in the industrial and agricultural price ratios. A significant increase in producers prices can compensate for a decrease in production ratios. And vice versa, a great increase in the prices for the tools of production can impair the effect of a respectable expansion of production. Finally, in the case of the always depressed agricultural prices, the character of the change can be felt well enough but the contribution to the national income may show an unrealistically low ratio. So, once again, the figures indicate only general trends.

The Role of Agriculture in Foreign Trade

Every CEMA country strives to supply its populace with an increasing quantity of improving quality fresh and processed foodstuffs, which is the prime task of agriculture. In addition, with the aid of foreign trade, they satisfy their mutual needs, including a growing trade which serves the goal of expanding variety. Beyond this, however, the net exporter countries sell a part of their agricultural products to third countries, creating import possibilities for their people's economies.

The ratio of agricultural and foodstuffs industry products is decreasing in the foreign trade of the CEMA countries. (See Figure 4.) But the decrease (in a manner similar to the contribution to the national income) is in large measure the result of the swift industrialization, of the great increase in trade in fuels, raw materials and industrial products and, last but not least, of the international division of labor realized thus far. In regard to volume foreign trade in agricultural and foodstuffs industry products has not decreased; indeed it has increased for the more important products such as grain, vegetables, fruits, vegetable oils, and meat and meat products. Trade in wool has remained at an almost unchanged level and only trade in sugar and milk products has decreased.

Figure 4: Share of Agricultural and Foodstuffs Industry Products in Foreign Trade



(4) Forrás: A KGST tagországainak statisztikai évkönyve, Moszkva, 1971.

Key:

1. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Romania, Soviet Union
2. Share in all imports
3. Share in all exports
4. Source: Statistical Yearbook of the CEMA Member Countries, Moscow, 1971

In regard to the background industries, the branches of the chemical industry manufacturing artificial fertilizer, crop protection materials and herbicides could not keep up with the increasing demand in Czechoslovakia, Poland and Hungary; the net import of all three countries increased to a significant degree in the 15 years studied. In contrast to this the Soviet Union consistently remained a net exporter, indeed it significantly expanded its net export, which was certainly aided by the relatively low level of domestic use.

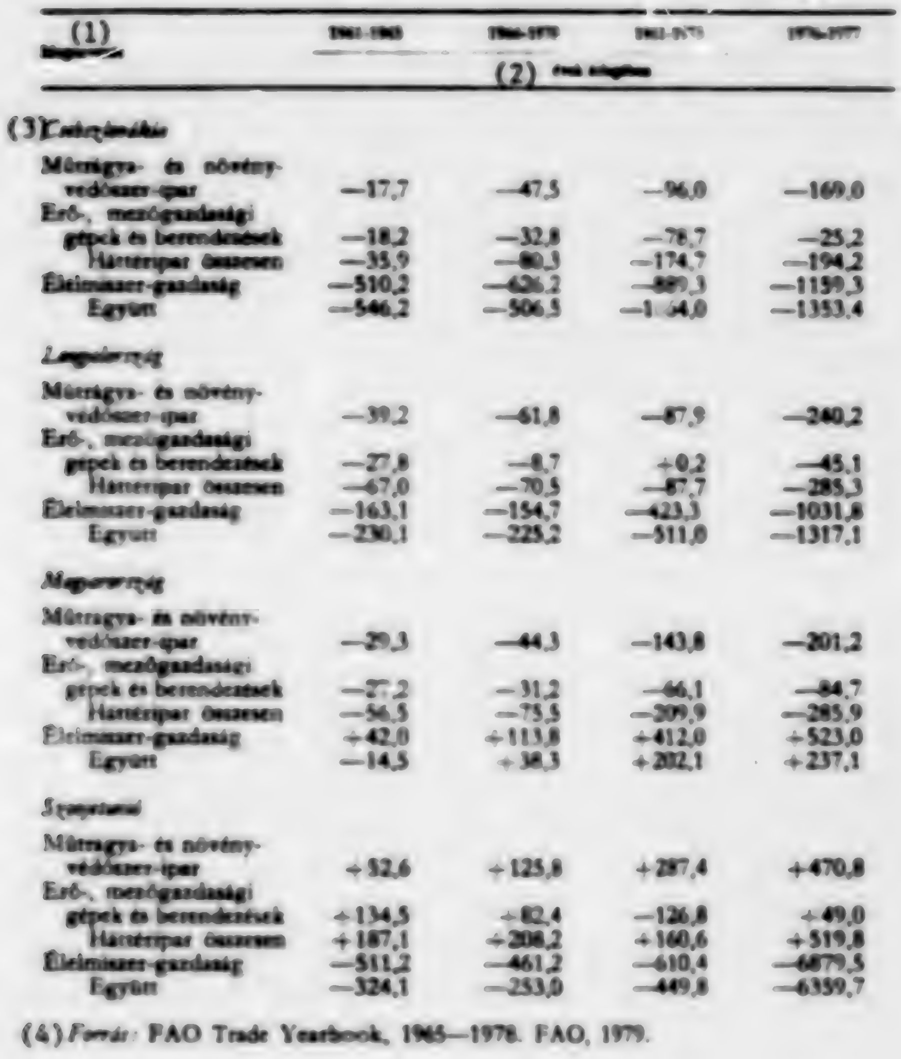
The machine industry background shows an essentially similar picture. The difference, in part, is that in the three net importer countries the rate of growth was substantially slower and did not exceed the degree of value deterioration in money. The net export of the Soviet Union gradually decreased and in the first half of the 1970's it was forced to net import; in the second half of the decade the foreign trade balance for this product group was around zero. Looking at the background industries as a whole it can be established that while the average for the years 1961-1965 made possible a modest net export beyond full domestic supply (27.6 million dollars) the foreign trade balance shows a net import of 311.7 million dollars per year in the first half of the 1970's and an average of 245.6 million dollars for 1976-1977.

It is customary to mention two problems in connection with the foreign trade balance for agricultural products and foodstuffs. The first is that, because of the natural conditions, many products cannot be produced in the various countries, thus their import is not caused by the deficiencies of agricultural production. In our homeland these include tropical fruit, coffee, tea, cocoa, cotton, spices, etc. But in our opinion the task of supplying the populace should mean that agriculture provides all those products necessary for the given standard of living, either from direct production or from exchange of goods carried out via foreign trade. Thus the net balance for the foodstuffs economy is the difference between the export and import value of all products in the main product groups independent of whether the products in question can be produced in the given country or not.

The second problem is connected with the tools of production. The increasing tool needs of agriculture sometimes cause problems and can make questionable the further expansion of production, which appears to be excessive, at the price of material sacrifices. The situation is complicated by the fact that a single country cannot be self-sufficient in the manufacture of the tools of production so it is difficult to distinguish an "unjustifiably large" import from the natural exchange deriving from the international division of labor. We will proceed correctly in this area if we examine foreign trade by chief product groups and burden agriculture with the costs of net import or exempt it by the value of net export.

The foreign trade data of the Food and Agriculture Organization (FAO) of the UN give an interesting picture of the effect of the foodstuffs economy and background industry of the countries on the foreign trade balance. (The foreign trade data of the FAO make possible a survey of four socialist countries. See Table 6.)

Table 6: Foreign Trade Balance of the Background Industry and of the Foodstuffs Economy (millions of dollars)



(1) Megnevezés	1961-1965	1966-1970	1971-1975	1976-1977
	(2) évi átlagban			
(3) *Csehszlovákia*				
Műtrágya- és növényvédőszer-ipar	—17,7	—47,5	—96,0	—169,0
Erő-, mezőgazdasági gépek és berendezések	—18,2	—32,8	—78,7	—25,2
Háttéripar összesen	—35,9	—80,3	—174,7	—194,2
Élelmiszer-gazdaság	—510,2	—626,2	—889,3	—1159,3
Együtt	—546,2	—506,5	—1064,0	—1353,4
Lengyelország				
Műtrágya- és növényvédőszer-ipar	—39,2	—61,8	—87,9	—240,2
Erő-, mezőgazdasági gépek és berendezések	—27,8	—8,7	+0,2	—45,1
Háttéripar összesen	—67,0	—70,5	—87,7	—285,3
Élelmiszer-gazdaság	—163,1	—154,7	—423,3	—1031,8
Együtt	—230,1	—225,2	—511,0	—1317,1
Magyarország				
Műtrágya- és növényvédőszer-ipar	—29,3	—44,3	—143,8	—201,2
Erő-, mezőgazdasági gépek és berendezések	—27,2	—31,2	—66,1	—84,7
Háttéripar összesen	—56,5	—75,5	—209,9	—285,9
Élelmiszer-gazdaság	+42,0	+113,8	+412,0	+523,0
Együtt	—14,5	+38,3	+202,1	+237,1
Szovjetunió				
Műtrágya- és növényvédőszer-ipar	+52,6	+125,8	+287,4	+470,8
Erő-, mezőgazdasági gépek és berendezések	+134,5	+82,4	—126,8	+49,0
Háttéripar összesen	+187,1	+208,2	+160,6	+519,8
Élelmiszer-gazdaság	—511,2	—461,2	—610,4	—6879,5
Együtt	—324,1	—253,0	—449,8	—6359,7

(4) *Forrás:* FAO Trade Yearbook, 1965—1978. FAO, 1979.

Key:
1. Designation
2. Average for the years
3. Five categories for each of four countries (Czechoslovakia, Poland, Hungary and the Soviet Union): Artificial fertilizer and crop protection materials industry; Forestry and agricultural machines and equipment; Background industry, total; Foodstuffs economy; Combined.
4. Source: FAO Trade Yearbook, 1965-1978, FAO, 1979.

The development of the foreign trade balance for agricultural products and foodstuffs shows a picture which is partly similar and partly different. The situation was similar in Czechoslovakia and Poland where the volume of net import increased year by year; but the situation is the same in the Soviet Union also. In contrast to these three countries Hungary increased many times its modest net export of the first half of the 1960's, the average annual growth rate of net export for the 15 years is 21 percent.

In the period examined the net balance combined with the background industries was passive in Czechoslovakia, Poland and the Soviet Union and the volume of net import increased very greatly, exceeding 9 billion dollars in 1976-1977. In contrast to this the foodstuffs economy of Hungary produced the foreign exchange needed to import tools of production and to import the agricultural and foodstuffs products which cannot be produced in our homeland. In addition to a high level of domestic supply there was increasing export; taken together with the background industry the mildly passive balance of the first half of the 1960's changed its sign and the active balance increased year by year and in 1976-1977, despite the unfavorable weather characterizing these 2 years, provided a net export of 180 million and 294 million dollars respectively.

Changes in the Level of Foodstuffs Supply

The level of foodstuffs consumption is determined in part by domestic production and in part by the degree of foodstuffs import and export, in harmony with standard of living policy. The substantial differences which can be found in consumption can be explained in some cases by consumption habits but to a larger extent they are influenced by the economic situation of the countries, including the level of agricultural production. (See Table 7.)

Table 7: Per Capita Consumption of Foodstuffs in 1978 (kilograms per capita)

Megnevezés (1)	(2) Bulgária	Csehszlovákia	Lengyelország	Magyarország	NDK	Szovjetunió
Cereáliák (3) (liszt-egyenérték)	159	107	120	118	94	140
Zöldségfélék (frissre számítva)	127	72	92	86	98	90
Burgonya	30	88	166	63	139	120
Hús, húskészítmény	64	83**	79	72**	86***	57
Hal, halkészítmény	7	5	7	3	7	17
Tej-, tejtermék (friss tejre számítva)	217	220***	450	155***	—	321
Tojás, db/fő	197	315	219	320	284	230
Növényi zsírok	15	7	3	4	2	8
Cukor- és édesipar (cukorra számítva)	35	37	43	34	39	43

(4) * Adatszolgáltatás hiányában Románia nélkül.
(5) ** Szalonna nélkül.
(6) *** Vaj nélkül.
(7) *Forrás:* KGST Statisztikai Évkönyv. Moszkva, 1965—1979. évi kötetei.

Key:

1. Designation
2. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Soviet Union
3. Cereals (flour equivalent value); Vegetables (calculated as fresh vegetables); Potatoes; Meat and meat products; Fish and fish products; Milk and milk products (calculated as fresh milk); Eggs (number per capita); Vegetable fats; Sugar and sweets industry (calculated as sugar)
4. Not including Romania, since data are not available
5. Not including bacon
6. Not including butter
7. Source: CEMA Statistical Yearbook, Moscow, volumes for 1965-1979

In addition to the level of consumption attained it is essential to examine the trends or growth rates since the two together are suitable for drawing appropriate conclusions. (See Table 8.)

Table 8: Annual Average Change in Per Capita Consumption of Foodstuffs--1965-1978 (percent)

Megnevezés (1)	(2) Bulgária	Csehszlovákia	Lengyelország	Magyarország	NDK	Szovjetunió
Cereáliák (3)	−1,5	−1,5	−1,2	−1,1	−0,5	−0,8
Zöldségfélék	+0,9	−0,5	−0,7	+1,0	+3,4	+1,7
Burgonya	+0,2	−0,4	−2,0	−2,2	−0,9	−0,4
Hús, húskészítmény	+3,3	+2,3	+2,7	+2,6	+3,0	+2,6
Hal, halkészítmény	+5,7	+0,9	+3,0	+3,5	−2,1	+2,3
Tej, tejtermék	+3,6	+1,9	+1,6	+3,7	—	+1,9
Tojás	+5,4	+2,5	+2,3	+4,2	+2,3	+4,9
Növényi zsírok	+2,2	+2,5	+5,8	+9,6	−2,7	+1,1
Cukor, édesipari termék	+3,5	0,0	+2,1	+0,9	+2,0	+1,8

Key:
1. Designation
2. Bulgaria, Czechoslovakia, Poland, Hungary, GDR, Soviet Union
3. Cereals; Vegetables; Potatoes; Meat and meat products; Fish and fish products; Milk and milk products; Eggs; Vegetable fats; Sugar and sweets industry products

In the course of evaluating the growth in production we have already touched on the tasks connected with raising the standard of living and developing healthy eating habits and the results achieved in production. The information pertaining to consumption supplements this. Consumption has increased in every country. This is supported by the dynamic increase in the consumption of protein of animal origin on the one hand and by the decrease in the consumption of cereals and potatoes on the other. But this healthy change poses ever greater tasks for agricultural production in the various countries. The significant differences which can be found (and which have been reported already) in the foreign trade balances for the chief product groups indicate significant differences. If we compare the data for the foreign trade balances with the level of consumption and changes therein then we can come to the conclusion that of the seven countries examined Czechoslovakia, Poland, the GDR and the Soviet Union will be net importers over the long run also. One can reckon with a swift increase in import especially in Poland (independent of the extraordinary situation of 1980) and in the Soviet Union, because of the lower consumption level. Taking into consideration the size of the population the European member countries of CEMA, taken together, will increasingly become net importers. A recognition of this is reflected in those measures with the aid of which they are trying to further increase foodstuffs production, decreasing the growth rate in the negative balances for the chief product groups.

If we weigh the situation realistically we can with justice calculate that the importance of foodstuffs will increase in trade with the socialist countries. But the level of consumption achieved in the socialist countries also warns us that what is involved in the importer countries is not simply quantitative growth but rather a sort of progress which will demand appropriate variety and good quality products.

8984
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PLANS FOR USE OF CHEMICAL BYPRODUCTS

Tirana PROBLEME EKONOMIKE in Albanian No 1, Jan-Mar 81, pp 65-71

[Article by Genci Luarasi: "Intermediate Products of the Great Chemical Industry and the Outlook for Their Future Use"]

[Text] The goal of our party's economic policy has been to develop a strong and stable economy by relying on our own material resources, an economy capable of responding to all the demands of socialist construction. Year after year, the branches of our industry such as the extracting, the metallurgical processing, the mechanical and the energy industry have continued to develop. The chemical industry was established as a new branch of our industry at the same time as the other industries. This industry of important dimensions set up in the Fourth 5-Year Plan is characterized by its rapid development which has made it a dominant branch of our industry. The pace of its development doubled in 1979 as compared to 1975.

Although a new branch, the chemical synthesis industry is an actual branch of our industry in which the materialistic treatment of matter finds true expression; it is a branch in which the word "waste" does not exist. The progress of chemistry, among other things, as K. Marx has written, showed in a convincing manner how to put back into circulation in the reproduction process the scraps left over from production and consumption, creating in this way material goods without preliminary capital expense. In the development of chemistry, the fundamental law of transforming raw materials for the benefit of human society finds true expression. The purpose of the chemical industry is to produce raw materials which are used in the chemical industry itself, in other branches of the economy and in consumer products. With the development of the technical and scientific revolution this branch of our industry, developed with our own forces, will continue to expand even more in the future.

Development of the Country and Role of the Chemical Synthesis Industry

Our country is rich in mineral resources, metallic and nonmetallic, which are the basis for the development of chemical synthesis. We are now at that stage of our development in which the extracting industry, relying on its own forces, provides the economy with such valuable minerals as copper, iron, chrome, coal, petroleum, gas, rock salt, pitch, etc., making it possible for us to produce different brands of pig iron and steel; electrolyzed copper, ferrochrome and products from complex petroleum processes, acids and bases, sodium and polyvinyl chloride, paper and pulp. In the same way, the energy industry has grown to the point where it encourages the expansion of the chemical and electrochemical industry by helping to automate the complicated processes of chemical synthesis, providing measuring and controlling apparatus for monitoring production from a distance. On the other hand, to build new plants and factories, it is absolutely necessary to further develop the construction industry in order to produce the heat-resistant materials and stable connections needed for the conditions and the processes of chemical synthesis which develop under high and medium temperatures and pressures.

In our rapid, many-branched development, chemical synthesis today takes a central position. It transforms the underground resources into material goods. The first objective of our chemical synthesis industry is to utilize fully our superphosphate, nitrate and soda producing plants, which are equipped with modern technology and which respond with their production to the needs of the economy. Year after year, production has increased and the chemical industry has expanded. Thus, for example, the sulphuric acid which is produced is used not only for the manufacture of phosphates, but today is used in the chemical synthesis of more than 30 chemicals necessary for the economy, such as aluminum sulphate, sodium dichormate, copper sulphate, nickel, iron and others. In addition, nitric, hydrochloric and chloric acids, calcified and caustic soda, carbides and pesticides are also produced. Therefore, here as in other countries, in the beginning, inorganic chemical synthesis was developed first. It utilized the raw mineral materials of the country and obtained a significant number of products from their processing. These are the intermediate products which help in the production side of the economy and also provide goods for the consumer market. The synthesis of organic compounds will be developed in the future. In 1980, the per capita increase in production for certain important chemicals was: sulphuric acid 30 kg, sodium carbonate 9 kg, and caustic soda 6 kg. Since chemical fertilizers increase production, chemistry has become very important for high yields in agriculture. In order to assure these high yields an average of 180 kg, of active raw material ($P_2O_5 + N_2$), will be used per hectare. The production of pesticides is growing and to protect plant life they will be used at the rate of 38 kg per hectare.

Our socialist economy, as a strong and diverse economy, was developed with the objective of responding to the most important needs of our production and of the defense of our country. It includes in its usable assets necessary raw materials, as well as products of the chemical industry, such as synthetic fibers, varnishes and paints, plastic materials, organic salts, chemical fertilizers, organic products, sulphuric, hydrochloric and nitric acids and so on, which are produced or will soon be produced domestically, because now all the capabilities have been created, primarily because of the intermediate products which we obtain from our chemical synthesis industry and from the products of our chemical-base industry. Our economy has an immediate need of 42,000 tons of the above products. This need, expressed in word and deed by the principle of relying on our own forces, is implicit in the acceleration of every effort to exploit rapidly and with complete efficiency all the possibilities which exist, using not only the intermediate products we are familiar with and which are available to us, but also those that will be produced in the process of developing and expanding our chemical-base industry and our chemical synthesis industry.

Chemical-Base Industry

When we speak of a chemical-base industry, we think of producing chemical products which serve as manufacturing tools in the production branches of the economy, as well as finished products that are used in the branches of the economy which serve the consumer market. For example, in the future, sulphuric acid which is derived from the mineral pyrite must also be obtained from the processing of pyrite concentrates, which need to be studied in order to find the most advantageous process of firing them. Large amounts of sulphuric acid will have to be used to transform nitric acid with a concentration of 63 percent, to nitric acid with a concentration of 98 percent. This also applies to the production of oleum with 20 percent free anhydrous sulphuric acid. These will also be used in organic synthesis to produce explosive materials. Great amounts of sulphuric acid will be needed to increase the production of phosphate base chemical fertilizers by using domestic raw materials. In addition, sulphuric acid will be used in the copper electrolysis processes to produce the valuable metals selenium, copper sulphate and nickel. The need for an increase in the production of sulphuric acid will become even greater if we consider that in the future the production of ammonia and nitric acid will have to increase in order to assure chemical fertilizers with a nitrogen base. The production of soda, polyvinyl chloride, hydrochloric acid and chlorine are of special importance in increasing the production of inorganic and organic chemical products.

Today, we import more than 15,000 tons of products derived from chemical synthesis: hydrochloric, sulphuric, carbonic, phosphoric and nitric acid salts, as well as magnesium, aluminum, lead, chrome, iron and copper salts.

Therefore, the chemical industry has been developed as a branch of our heavy industry responsible for basic products and with high levels of concentration on technical bases. The production capabilities of sections and plants are such that they fulfill the needs of the economy. But, in the present stage of our development and the rapid growth which is foreseen for the Seventh 5-Year Plan it is necessary, while maintaining the connections between the different branches, to further expand the chemical industry. The capabilities and the material reserves exist to achieve this goal. For example, the complex processing of polymetallic minerals and sulfides will give us the principal bulk of our sulphuric acid. The time has come, therefore, to evaluate our technical and economical resources in all their complexity: planning their course from the time of their discovery to their removal from the mines and up to their enrichment and processing in the metallurgical and chemical industries. This will result in the most effective use of the elements involved. The largest amounts (roughly 80 percent) will be used in the manufacture of chemical fertilizers; the rest, together with HNO_3 98 percent CL_2 and oleum, will be available for organic synthesis. By processing ethylene, acetylene, paraffin, and cyclic hydrocarbons we will be able to produce synthetic varnishes and paints, synthetic fibers and rubbers, basic materials for detergents, and chlorinated and sulfurated products. The assurance of the synthesis of organic acids is of very great importance to our food industry and to our economy. The growing production of synthetic compounds absorbs 2,000-2,500 tons of formalin. It is necessary, therefore, to study the possibilities of producing formalin domestically (around 3,000-5,000 tons a year). The production of paraffin can and should be considered in the same way.

Studies to produce, with our own raw materials, inorganic acid salts, such as H_2SO_4, HNO_3, and oxides of some metals FeO, Fe_3O_4, CuO, Al_2O_3, CrO_3, CoO_3 and so on, are very necessary.

Many products which have been produced for specific industrial use gain, with supplementary processes, a wider range of usefulness. Thus, for example, KMC which is produced to fulfill the needs of the petroleum and textile industry can also be used to produce detergents. The same thing can be done with arylalkylsulfonate, pyrophosphate, ferrokromlignosulfonate, and calcium lignosulfonate. More technological studies are taking place to produce pesticides domestically in order to stop completely the import of "Lirolan," "Ferizan," "Delicia," "Geodrine," "Rangalit karbon," etc.

From an economical point of view, the chemical industry is a very profitable branch, because of the fact that chemical intermediate products are themselves basic products in the development of a series of new activities of great profitability. They can be principal products in chemical activities (sulphuric acid, ammonia, soda etc) or side products (natrium fluorosilicate, calcium carbonate and natrium sulfate). Because of the conditions of our chemical industry a good part of these chemical products are exported as sulphur and chemical and nitrogenous fertilizers. In this way the chemical industry constitutes an important factor in strengthening the material and technical base of socialism.

Intermediate Products of Chemical Synthesis

All chemical products which by themselves are not directly utilized in the sphere of the consumer market are subject to synthesizing processes and become intermediate products which are used in the manufacture of final products. Because intermediate products are interrelated it is important to study and plan their chemical processes and production to the optimum, relying on their dependencies, the influences and the proportions of this or that intermediate product. In this observation, therefore, the grouping of these products and the material and consumer assets are very important and must be considered, so that the processing of these chemicals will be done sequentially. If the groupings are made on the basis of the natural affinity between the intermediate products themselves, we can have a finished product at low cost. At present we import synthetic fibers (polyester, polyamide, acrylic, nylon and kapron) at the rate of 1.7 kg per capita. However, in the future, within the conditions of the deep improvements that have taken place in the petroleum and gas industries in our country, these fibers will be produced domestically (2-4 times more). In order to do this, we must first ensure the compositions of intermediate products such as prophylene, ethylene, butane, butadiene and so on, in addition to those that are already produced here such as sulphuric acid and ammonia. We must operate in the same way in producing different plastics, such as rubber, which is becoming a widely used material and is in great demand in many branches of our industry. It is sufficient to say that our textile industry has developed enormously. The production of cotton and woolen cloth has increased and the industry has now started to produce synthetic fibers. The domestic production of these fibers is a present-day necessity. We have the capabilities and they are to be found within the chemical synthesis industry itself.

The use of chemical fertilizers is very important in developing agricultural production. One of the most important victories of our party's economic policy has been to raise the yield of bread grains from 7 quintals per hectare to 30 or 35 quintals per hectare, assuring in this way the production of bread grains domestically. Although we have made progress by using more and more chemical fertilizers and active materials, in the future, we need to regulate more carefully the ratio of phosphates to nitrogen, which at present is low (1:0.49) when it should be 1:0.84. In the course of the Seventh 5-Year Plan we shall use more chemical fertilizers per hectare. This presents us with the task of increasing the production of our chemical fertilizers by relying on our own mineral resources. It is well known that mineral phosphates with 28.5 percent phosphorous anhydride can be produced economically, whereas the processing of those with less than 17 percent is more costly. Under these conditions acute problems arise which need an immediate solution, such as the production of low cost fertilizers from raw materials with a low content of phosphorous anhydride so that all the needs of our agriculture for fertilizers with 1:0.84 ratio of phosphorus and nitrogen will be met. This can be achieved by 1985, if approximately 70,000 tons of phosphorous anhydride can be produced, that is about 3 times more than was produced in 1980. At the same time, it would be beneficial to think of producing domestically, sometime in the future, complex concentrated fertilizers, such as ammonium phosphate and diammoniumphosphate and so on, with active elements of 16 to 50 percent phosphorous anhydride, and 11 to 24 percent nitrogen which are produced by using ammonia, nitric acid and phosphoric acid, the by-products of the chemical synthesis industry. Therefore, it would be advantageous to process our phosphorous minerals to produce phosphoric acid. It is true that capital investments are required to establish a phosphoric acid industry, but it would open up prospects of being able to produce more effective fertilizers, as well as a number of phosphorous chemical products such as phosphoric acid salts, which are active ingredients used in laundry detergents, catalysts and phosphates.

The most important ingredient, however, for an increase in chemical-base products, is the greatest possible utilization of the productive capabilities of the existing plants. During recent years the unrestricted capabilities of these plants have been almost completely utilized. Thus, the sulphuric acid plant in Lac has raised its production capacity by 33 percent by completing certain modifications and making some improvements in the organization of work. The same can be said of the nitrate plant in Fier. There is room for improvement, however, in the production methods in the sulphuric acid line No 2 in the urea and superphosphates plant in Lac, and in other chemical and metallurgical plants. At the present stage of our development, our principal task is to demonstrate the close ties that exist between technical and economical studies and the advantages of expanding them in order to raise industrial production. This is one of the immediate tasks for increased productivity in the existing chemical plants.

At the same time it is necessary to design new plants by relying on the experiences we have gained so far: introducing new methods and utilizing our abundant resources in a complex manner. As a result of these designs a sulphuric acid plant is being planned with a capacity of 60,000 tons of raw pyrite concentrates, which are by-products of the fine enrichment of coke derived minerals. Therefore, a free by-product will be exploited and new ways will be found to process polymetallic minerals which cannot be exploited in a pyrometallurgical way.

Petrochemistry Is the Source of a Series of Intermediate Products From Chemical Synthesis

Petroleum and gas are complex resources with a wide range of usefulness. The deep processing of petroleum will open up prospects for the development of our petrochemical industry. In the years to come our chemical synthesis industry will have available a number of intermediate organic products, such as tar, xylene, toluol, benzole and others, which will be derived from this refining. Arylalkylsulfonate will also be produced to fulfill the needs of the detergent industry. The production of petroleum coke is worthwhile since it is replacing some of the metallurgical coke. We are at present isolating sulphur, some of which is exported and some of which is used to produce pesticides. These primary products will in the future be accompanied by unsaturated hydrocarbons such as acytelene, propylene and paraffin. At the same time, we must separate from petroleum, gas and the coking of coal, aromatic and cyclic hydrocarbons to be used as bases in the production of several organic products. If we process and utilize inferior quality petroleum, gas and coal resources thoroughly, they will provide us with synthetic fibers, plastic materials, epoxy varnishes, solvents and other substances. Under these conditions, therefore, it is very important to define correctly the prospects for the chemical synthesis industry by combining the production of compounds of intermediate products and end products.

Simultaneous with the production of chemical base compositions, our chemical enterprises can also produce reagents and salts from principal acids. These can be realized "flexibly" by different processes such as baking, steaming, crystallization or philtering. Thus the ratio of copper and nickel sulphates used in the copper smelting plant in Lac could help the chemical enterprises in Durres and Tirane to project similar production lines. Today, in addition to the designing of standard type plants for chemical base products, the capabilities exist to design units for intermediate products and reagents.

During the synthesis of most of the intermediate chemical products, besides the raw material stage, there is a need for catalysts as substances which are not involved in the chemical synthesis itself, but, because of their chemical properties, direct the synthesizing process to achieve the required reaction. Since every chemical process needs a specific catalyst an increase in intermediate products will generate the need for catalysts in kind and quantity. Al_2O_3, Fe_2O_3, CuO and others are among the more simple catalysts. For the needs of our chemical industry we import V_2O_5 base catalysts for the manufacture of sulphuric acid, and margarine, for use in some work processes in the Fier ammonium nitrate plant and in the plant for the deep processing of petroleum in Ballsh, and so on. The need for catalysts will grow. The question arises: can we produce them domestically? In order to do this we must, first of all, make a technological and economical study to define the raw materials and the ways to produce domestically some of the simpler catalysts, such as metal salts, metal oxides, acids and bases. In this matter we are still on unexplored territory; we have no experience, but if the situation presents us with the task, and we possess the important experience of having solved complex and difficult problems in the past by relying on our forces, it will become necessary for us to tread these paths in the future. He who faces problems with courage finds a solution to them.

The increase in intermediate products is related to the development of a number of new branches. There are two branches which are of fundamental importance, these are the branches responsible for inorganic and organic products, which have developed rapidly even in our country. The organic branch, as the newest branch, has a great future ahead because its products are more numerous.

In the years to come, by implementing the recommendations of the Eighth Plenum of the Central Committee of the AWP [Albanian Workers Party] for the development of science and technology, as well as the tasks which were defined in the Ninth Plenum of the Central Committee of the AWP, the industry for chemical synthesis, relying on its own forces, will develop further in depth and in breadth. The economy will receive new chemical products, such as artificial and synthetic fibers which will not have to be imported any more. Studies will be undertaken to produce synthetic organic dyes for the textile, paper, plastics and leather industry. With the exploitation of intermediate products, chemical synthesis, through the deep processing of mineral and organic materials, will have a greater influence on the development of our socialist economy.

6160
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FINANCIAL MANAGEMENT IN FIRST HALF 1981 SUMMARIZED

Prague SVET HOSPODARSTVI in Czech 14 Aug 81 pp 1-2

[Article by Engineer Milan Jurceka, Cand Sci, Federal Ministry of Finance, "Financial Management in the 1st Half"]

> [Text] Meeting of quotas in the first half of 1981 progressed under the conditions of an improved system of planned management expressed in the Set of Measures which became effective as of the beginning of the current year. This became reflected in the management of state budgets particularly by granting reductions in share of profit payments, changes in financial and economic tools in the area of foreign trade, limiting of allocations for investment to economic organizations and specific subsidies for investment in the sphere of national committees and adjustment of wholesale prices with an impact on sales tax. The mentioned changes make a direct comparison of the results of management of state budgets in the first falf of 1981 with the same periods of previous years impossible.

The results of state budgets' management are tied to meeting of basic indices of the state plan for the first half of 1981 which are characterized by growth of industrial production more or less in accordance with the plan, favorable development in the cost of materials and considerable failure to meet quotas in building and construction. Basic data regarding the results of financial management of state budgets (not including national committee budgets) in the first half of 1981 are offered in the table concluding this article (data in millions of Kcs).

In keeping with the coordinatory function of the state budget of the Czechoslovak federation, state budgets of the republics received in the first half of 1981 allocations in the total amount of Kcs 47.06 billion, of which amount Kcs 27.84 billion accrued to the CSR and 19.22 to the SSR. Allocations and subsidies from the state budgets of the republics to national committee budgets amounted in the first half of 1981 to Kcs 26.03 billion, of which amount Kcs 17.62 billion accrued to the CSR and Kcs 8.41 billion to the SSR.

In regards to volume the most significant item in the state budgets' income was formed by payments from economic organizations. For the first half of 1981 all centrally controlled economic organizations (not including the impact of foreign trade) rendered total payments of Kcs 46.87 billion representing 48.0 percent of the year's plan (last year 48.6 percent of the year's plan). Share of profit payments amounted to Kcs 20.28 billion, i.e., 48.0 percent of the yearly plan (last year 48.6 percent), social security contribution payments amounted to the sum of Kcs 12.21 billion to meet the plan to 48.3 percent. Meeting of payments by economic organizations depends primarily on meeting the plan for qualitative indicators of financial management in state economic organizations. Of the full year's quota for profit generation 49.5 percent were met in the first half of the year, the share of cost of materials in output was 0.29 point lower than called for by the yearly plan. However, the favorable meeting of the costs is marred by an imballanced development in costs during the course of the year.

One of the most stable income items of the state budget is represented by sales tax of which Kcs 36.16 billion were collected in the first half of 1981, i.e., 47.8 percent of the yearly plan. Nevertheless, in comparison to the first half of 1980 measured in terms of the full year's results for 1980, meeting of the quota in the first half of 1981 lags by 1.7 points. They key cause of lag in meeting the planned quota for sales tax was an adverse development in supplies for the consumer goods inventory (as of 31 May 1981 the plan was met only to 40.3 percent). Shortcomings in meeting the planned sales tax quota were posted primarily by federally controlled organizations which by 30 Jun 1981 met only 45.0 percent of the yealy plan, i.e., by 11.7 points points less than last year. The result was affected primarily by a failure to meet the planned sales tax quota in the sector of machine building which in the first half of 1981 made payments lower by Kcs 850 million than last year. Even though the problems apply to production and marketing of a number of machinery products, the worst impact on returns from sales tax was due to lower sales of passenger cars of which 51,136 units were sold in the first half of 1981, i.e., less by 15.2 percent than for the same period of 1980.

Among the other more significant items of income for state budgets, the income tax for the first half of 1981 amounted to Kcs 19.78 billion, i.e., 49.3 percent of the yearly plan (same as last year). Financial and insurance institutions paid into the state budget Kcs 5.70 billion meeting 50.2 percent of the yearly plan quota.

In the area of state budget expenditures more than half of all resources is expended on financing the budgetary sphere. Expenditures of centrally administered budgetary and support organizations in the first half of 1981 drew on 45.4 percent (last year 47.1 percent) and amounted to the sum of Kcs 65.92 billion. Lower drawing on funds for expenditures in comparison with the past year was brought about, among other things, by a relative slump in drawing on capital appropriations (29 percent this year, 30.8 percent last year), but mainly by the fact that social security expeditures amounting to Kcs 33.30 billions drew on 48.7 percent (last year 50.0 percent). This was primarily due to a lower incidence of influenza infections in the first half of 1981 and a lower number of live births.

Compliance with the principles of the Set of Measures and limitation of capital investments brought about in 1981 a decrease in allocations to economic organizations, which in the first half of 1981 reached Kcs 18.92 billion by drawing on 40.9 percent of the quota for the year. In comparison with the same period of last year, this translated primarily into a significant limitation of allocations for investment which in the first half of 1981 amounted to Kcs 3.20 billion, which in comparison with last year represents a decrease of more than 50 percent.

The results of financial management of state budgets in the first half of 1981 indicate that not all sectors managed to meet the mid-year quotas in full and with the requisite structure and quality and that some branches still persist in using old routine methods of plant management and organization. For that reason, meeting of this year's quotas will call for even more intensive implementation of positive trends in economic development than has heretofore been the case, suppression of all negative manifestations, a distinct improvement in utilization of all unused resources of the national economy, meaning a much more emphatic implementation of the Set of Measures for Improving the Planned Management System of National Economy.

Tabulation of the Results of Financial Management of State Budgets (Without National Committee Budgets) in the First Half of 1981 (in millions of Kcs)

Indicator		Approved Budget 1981	Quota met by 30 Jun 1981	Completion Percentage
Total state budgets	Income	261,983	123,814	47.3
	Expeditures	261,983	123,548	47.2
	Difference	-	266	-
Of the above:				
State budget of the Czechoslovak federacy	Income	56,348	31,709	56.3
	Expenditures	56,348	31,415	55.8
	Difference	-	294	-
CSR state budget	Income*	132,539	60,680	45.8
	Expenditures	132,539	60,708	45.8
	Difference	-	28	-
SSR state budget	Income*	73,096	31,425	43.0
	Expenditures	73,096	31,425	43.0
	Difference	-	-	-

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* Including allocations from the Czechoslovak federal budget

8204
CSO: 2400/309

WEST GERMAN ANALYSIS OF FIRST HALF 1981 ECONOMIC PERFORMANCE

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 31, 30 Jul 81 pp 363-366

/Article by Dr Doris Cornelsen, German Institute for Economic Research (DIW), West Berlin: "Not an Entirely Successful Start on the New Five-Year Plan--the Economic Situation of the GDR at Mid-1981." A translation of the first half 1981 plan fulfillment report cited in footnote 1 is published in JPRS 78726, 11 Aug 81, No 2158 of this series, pp 8-28. A translation of the article cited in footenote 3 is published as part of a series of related items under the heading, "Development, Use of Industrial Robots Discussed," in JPRS 78838, 26 Aug 81, No 712 of EAST EUROPE REPORT: SCIENTIFIC AFFAIRS, pp 10-33/

> /Text/ It became evident after publication of the five-year plan in April 1981 that the GDR economic leadership had based the targets of the first year of the 1981-1985 plan period on the target conceptions for the entire plan. Growth was to speed up, the main goal being a rise in exports. No more than below average growth rates were envisioned for investment and consumption. The results of the first half year are remarkable in terms of output. However, in the utilization structure they do not quite conform to the plan data, and therefore confirm the skeptical assessment of the medium-range concept.

The State Central Administration for Statistics' report[1] presents the following results for the first half of 1981 (percentage growth compared with the corresponding period of the preceding year):

	1981 Annual Plan	First Half 1981 Actual Results
Produced national income	5.0	5.0
Industrial goods production	5.0	4.6*)
Net product of industry	.	6.0
Specific materials consumption	.	- 5.0
Domestic utilization:		
Investments (in centrally managed industry)	2.5	4.0
Retail turnover	4.0	3.3
Foreign trade turnover	16.0	12.0

*) Published was a rate of 5.4 percent, adjusted by working days

The rates for the produced national income and the net product of industry must be assumed to have been rounded off. As, however, the first half of 1981 had 1 working day fewer than that of 1980, planning might have taken this into account and budgeted the proportions accordingly. In any case the growth rates for the total economy and industrial output are notable and divergences from the plan insignificant. The stabilization of growth has thus continued.

On the other hand the successes of the competition campaign in honor of the Tenth SED Congress--much touted in the plan fulfillment report--are not readily discernible. The report mentions a 5.4 percent growth in industrial output (adjusted by working days). Considering that the annual target is 5.0 percent, this result is by no means outstanding.

In this plan fulfillment report the State Central Administration for Statistics published the rise in industrial goods output broken down by industrial ministries and thereby considerably expanded statistical information.[2] It is now possible to compare the plan estimate with the actual development. However, this comparison is still somewhat limited by the fact that we do not know whether the plan growth rates for 1981 as a whole also apply to the first half. At the same time the adjustment by working days with regard to the actual development in the first half removes any obvious differences.

A comparison between the annual plan and the results of the first half produces the following data:

-- Despite the reported overfulfillment, growth rates in four sectors--chemical industry, the construction of general machines, agricultural machines and vehicles, the glass and ceramics industry, bezirk managed industry and food industry--remained well below plan estimates. In the case of the chemical industry the shift from petrochemical to carbochemical processes may have resulted in greater loss of growth than expected; in the case of machine construction the slight gain is likely to be below the plan. As far as bezirk managed industry and the food industry are concerned, the five-year plan actually assumed a smaller rise than the 1981 plan.

-- In all other sectors the plans were exceeded, in some to a considerable extent. That holds true especially for electrical engineering and electronics. The increasehere amounted to nearly 11 percent; the plan had assumed only 9 percent. The intensive encouragement of this sector is by now quite unmistakable in the development of output.

In every case the structure of growth rates in industrial production conformed to the medium-range conceptions: The emphasis is on the electronics and machine construction sectors which are crucial both for the equipment of GDR industry and a rise in exports. Light industry, bezirk managed industry and food industry--all of which produce primarily for domestic consumption--rank somewhat lower.

Indicators of Economic Development in the GDR (percentage changes by comparison to the previous year)

	(1) 1980	(2)	(1) 1981	(2)
	1.Halbjahr	Jahr (3)	1.Halbjahr	Jahr (4)
	Ist			Plan
(5) **Produziertes Nationaleinkommen**	5	4,2	5,0	5.0
(6) **Industrie**				
(7) Industrielle Warenproduktion	5.9 1)	4,6 1)	4,6 2)	5,0
(8) dar.: Im Bereich der Industrieministerien	6.1	5,4	5,0 2)	5,8
(9) Arbeitsproduktivität 3)	5.7	5.1	4,6 2)	5.0
(10) **Bauwirtschaft**				
(11) Produktion des Bauwesens	3,7	2,2 4)	.	3,8 5)
(12) Bauproduktion der Volkswirtschaft	14,0 6)	12,8 6)	4,6 2)	2,8
(13) Fertiggestellte Wohnungen	77,8	169,2	88,4	174,5
(14) davon: Neubau (in 1 000 Wohnungen)	54,4	120,2	60,4	117,0
(15) Modernisierung	23,4	49,0	28,0	57,5
(16) **Landwirtschaft**				
(17) Tierische Marktproduktion 7)	5,9 4)	2,4 4)	5,5 4)	- 1,1 4)
(18) dar.: Schlachtvieh	6,9	2,7	10,0	- 0,8 8)
(19) Milch	3,6	1,7	- 1,0	- 1,3 8)
(20) Eier	5,9	5,7	3,1	- 3,4 8)
(21) **Einzelhandel**				
(22) Umsatz, gesamt 9)	5,7	4,3	3,3	4,0
(23) davon: Nahrungs- und Genußmittel	2,1	2,9	2,9	3,3
(24) Industriewaren	9,6	5,8	3,8	4,6
(25) **Außenhandel**, Umsatz 9)10)	.	10,3	12,0	16,0
(26) **Investitionen** 11)	2,4	1,3	.	.
(27) dar.: Im Bereich der Industrieministerien	9	4	4	2,5
(28) **Nettogeldeinnahmen** der Bevölkerung	3	2,8	3,3	4,0

(29) 1)Aus Index-Angaben berechnet.-2)Tatsächliches Ist, d.h. unter Rückrechnung der offiziellen - arbeitstäglich bereinigten - Angaben.-3)Bereich der Industrieministerien, Basis Warenproduktion.-4)Geschätzt.-5)Bauproduktion im Bereich des Ministeriums für Bauwesen.-6)Nur Betriebe des Wirtschaftsbereichs Bau; zu laufenden Preisen.-7)Staatliches Aufkommen an Schlachtvieh, Milch, Eiern und Wolle; bewertet in Getreide-Einheiten.-8)Mengenmäßige Planung.-9)Jeweilige Preise.-10)Einschließlich innerdeutscher Handel.-11)Ohne Generalreparaturen und Auslandsbeteiligungen.

(30) Quellen: Durchführung des Volkswirtschaftsplanes 1980 bzw. 1981 im ersten Halbjahr (Neues Deutschland von 12./13. Juli 1980 bzw.vom 18./19. Juli 1981); Durchführung des Volkswirtschaftsplanes 1980 (Neues Deutschland vom 17./18. Januar 1981); Economic Commission for Europe, Genf; Gesetz über den Volkswirtschaftsplan 1981 (GBl. der DDR, Teil 1/1980, Nr. 35); Berechnungen und Schätzungen des DIW.

Key:

1. First half
2. Full year
3. Actual result
4. Plan
5. Produced national income
6. Industry
7. Industrial goods production
8. In the sphere of the industrial ministries
9. Productivity

/Key continued on following page/

10. Construction industry
11. Output of the construction industry
12. Building production of the national economy
13. Completed housing units)
14. New buildings) 1000 units
15. Modernization)
16. Agriculture
17. Animal production for the market
18. Slaughter cattle
19. Milk
20. Eggs
21. Retail Trade
22. Total turnover
23. Essential and nonessential foods
24. Industrial goods
25. Foreign trade, turnover
26. Investments
27. In the sphere of the industrial ministries
28. Net cash earnings of the population
29. 1) Calculated from index data.-- 2) Actual result, that is returning the official data, adjusted by working days.-- 3) Sphere of the industrial ministries, basis: goods production.-- 4) Estimated.-- 5) Building production in the sphere of the Ministry for Construction.-- 6) Only enterprises of the economic sector construction; at current prices.-- 7) State yield of slaughter cattle, milk, eggs and wool; value given in grain units.-- 8) Quantitative planning.-- 9) Respective prices.-- 9) At current prices.-- 10) Including inner-German trade.-- 11) Excluding major overhauls and investments abroad.
30. Sources: Implementation of the economic plans in the first half of 1980 and 1981 (NEUES DEUTSCHLAND, 12/13 July 1980 and 18/19 July 1981); implementation of the 1980 economic plan (NEUES DEUTSCHLAND, 17/18 January 1981); Economic Commission for Europe, Geneva; "Law on the 1981 Plan" (GBL DER DDR Part I/1980, No 35); DIW calculations and estimates.

Investments, Consumption and Foreign Trade

In contrast to production, there is less conformity of plan and actual results in the utilization structure. Here investments rose somewhat more, consumption and foreign trade rather less than expected.

Assessment is rather difficult in the case of investments. No plan data were available for the total economy, only for centrally managed industry (+ 2.5 percent), and these were exceeded (+ 4 percent). However, the half year report is not free of ambiguities: Insufficient distinction is made between material investments (equaling production, including plant not yet completed) and completed investments. When we consult the published absolute figures and the results of the first quarter also, we get a very steep increase for the economy as a whole, but this may be due to the transition to the 1980 price base.

Industrial Goods Production in the Sphere of the Industrial Ministries

(5) Ministerium für ...	(1) Plan 1981	(2) Ist 1. Halbjahr 1981 1)	(3) Angegebene Planerfüllung 1.Halbjahr 1981 in vH
	(4) Zunahme in vH gegenüber dem entsprechenden Vorjahrszeitraum		
(6) Kohle und Energie	3,0	3,7	101,5
(7) Erzbergbau, Metallurgie und Kali	5,8	6,2	101,1
(8) Chemische Industrie	6,3	4,8	101,2
(9) Elektronik und Elektrotechnik	8,9	10,9	101,7
(10) Schwermaschinen- und Anlagenbau	5,9	6,6	101,4
(11) Werkzeug- und Verarbeitungsmaschinenbau	9,1	9,9	101,2
(12) Allgemeiner Maschinen-, Landmaschinen- und Fahrzeugbau	7,8	7,0	101,4
(13) Leichtindustrie	4,0	4,5	101,6
(14) Glas- und Keramikindustrie	5,1	4,4	101,5
(15) Bezirksgeleitete Industrie und Lebensmittelindustrie	6,2	4,5	101,6
(16) Industrieministerien, insgesamt	5,8	5,8	101,4

(17) 1)Arbeitstäglich bereinigt. (Die bereinigte Zuwachsrate ist um rund 0,8 Prozentpunkte höher als das kalendermonatliche Ergebnis).

Quellen: (18) Mitteilung der Staatlichen Zentralverwaltung für Statistik über die "Durchführung des Volkswirtschaftsplanes 1981 im ersten Halbjahr". (Neues Deutschland vom 18./19. Juli 1981); Gesetz über den Volkswirtschaftsplan 1981 (GBl. der DDR, Teil I/1981, S.354).

Key:

1. 1981 Plan
2. Actual results, first half 1981
3. Plan fulfillment reported for first half 1981 (percentages)
4. Percentage rise compared with the corresponding period of the previous year
5. Ministry for
6. Coal and Energy
7. Ore Mining, Metallurgy and Potash
8. Chemical Industry
9. Electronics and Electrical Engineering
10. Construction of Heavy Machinery and Equipment
11. Construction of Machine Tools and Processing Machinery
12. Construction of General Machinery, Agricultural Machinery and Vehicles
13. Light Industry
14. Glass and Ceramics Industry
15. Bezirk Managed Industry and Foodstuffs Industry

/Key continued on following page/

16. Total industrial ministries
17. 1) Adjusted by working days. (The adjusted rate of growth is about 0.8 percent above the result per calendar month).
18. Sources: Report by the State Central Administration for Statistics on the "Implementation of the 1981 Economic Plan in the First Half" NEUES DEUTSCHLAND, 18/19 July 1981; "Law on the 1981 Economic Plan," GBL DER DDR, Part I/1980, p 354.

It is to be assumed that total investment activity was in fact greater than provided for by the plans. This also corresponds to the extensive tasks to be achieved in the transformation of the economy as a whole and could hardly be managed by an investment rate tending to decline. Another substantial rise was recorded in the construction of new housing (6,000 units more than in the first half of 1980).

As regards the special case of the wquipment of the national economy with industrial robots, recent GDR reporting has contributed to a certain confusion. We learn from a recent publication that the GDR has now shifted from a narrow to a broad definition of the term. Consequently industrial robots are no longer only equipment which is readily programmable and movable in at least three directions; they are all other automation aids also. A comparison of the different data demonstrates this broadening (numbers of industrial robots actuall in use and planned):

	Narrow Definition	Broad Definition
Late 1979	160	.
Late 1980	320	.
1981 Plan	700	.
Mid-1981	.	7,000
Five-year plan target for 1985	7,000	40-45,000

The data available from other countries also indicate that the prevalence of industrial robots largely depends on their definition.

In the case of the development of net incomes, the plan target was not quite achieved in the first half, recording an increase of only 3.3 percent. At the same time the development of net earnings (at 3.9 percent) speeded up somewhat. Noticeable is the slight rise (3.3 percent) in retail turnover. While the turnover of essential and nonessential foods just about increased in conformity with the medium-range trend, that of industrial goods achieved only a 4.4 percent rise. Due to the substantial price increases for better quality goods, the improvement in real supplies was well below expectations.

As expected, subsidies from the state budget rose substantially. On 1 January considerable price increases took effect consequent upon the new price policy in farming and the planned industrial price changes. The 1981 state budget estimated a 17 percent increase in price subsidies. Actually the increase amounted to 21 percent in the first half.

With regard to foreign trade, the main task of the current five-year plan, the 1981 plan estimate has so far failed to be met. Planned was a 16 percent rise in foreign trade turnover; only 12 percent were recorded in the first half. The plan fulfillment report shows a strong rise in trade with the Soviet Union (17 percent). Soviet statistics for the first quarter suggested that the GDR raised its exports to a far greater extent than its imports. On the other hand neither the planned rise in turnover nor a greater increase in exports was achieved in trade with Western industrial countries. According to data from the partner countries GDR imports grew more than exports in the first months of 1981. The same applies to inner-German trade. Here GDR purchases rose by 8 percent in the first 4 months, deliveries by 4 percent. Though in the upshot the GDR retained a slight delivery surplus, the trend of the previous year was reversed. Once again the development of GDR purchases demonstrates more dynamism than that of its deliveries.

It is evident that such a trend in the trade with the West runs counter to GDR planning. The entire medium-range plan and the 1981 annual plan are so structured as to raise GDR exports far more than imports in order to lessen the foreign trade deficit. The weaknesses of this concept have been exhaustively dealt with elsewhere.[4] In the main they consist in the GDR's simplistic expectation that its exports will be easily marketable. At least as far as Western trade is concerned this is certainly a mistaken assessment.

The total of first half results, therefore, is not so favorable as the high rates of growth for the total economy and industry initially tend to suggest. The GDR will have considerable problems regarding the realization of its medium-term foreign trade strategy: It is not enough for output as such to rise, it will be necessary to produce items competitive on the world market, which are also properly profitable in terms of foreign exchange.

FOOTNOTES

1. NEUES DEUTSCHLAND, 18/19 July 1981, pp 3 ff.

2. These rates were last supplied for the results of 1972 and the first half 1974.

3. "Industrial robot technology...must not be defined so narrowly. Nowadays we interpret this term to mean the totality of capital equipment serving the independent handling of production parts, tools and materials for the automation of main and ancillary processes." "Industrial Robot Technology Now," DIE WIRTSCHAFT No 6/1981, p 21.

4. See "GDR Economy in Structural Change. On the Situation of the GDR Economy at the Turn of the Year 1980/1981," edited by Doris Crnelsen, DIW WOCHENBERICHT No 6/1981.

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GERMAN DEMOCRATIC REPUBLIC

ANALYSIS OF 1981-1985 PLAN DIRECTIVE SEES FOCUS ON EXPORTS

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 31, 30 Jul 81 pp 355-362

[Article by Doris Cornelsen, German Institute for Economic Research (DIW), West Berlin: "Main Task Export--The Directive on the 1981-1985 Five-Year Plan for the GDR Economy." Translations of articles cited in footnotes below are published under quoted headings in the following JPRS issues of this series: Footnote 1--"Directive on 1981-1985 Five-Year Plan Published," 78163, 27 May 81, No 2130, pp 2-56; footnote 8--by Jochen Bethkenhagen, "Energy Problems Seen Restricting Economic Growth," 77656, 24 Mar 81, No 2109, pp 4-15; footnote 9--by Guenter Mittag: "Mittag Urges Combines to Economize, Raise Production," 78885, 1 Sep 81, No 2167, pp 64-76; footnote 11--interview with Otto Reinhold, "Problems of Labor Force Reallocation, Restructuring Discussed," 78970, 14 Sep 81, No 2173, pp 1-6. A translation of Erich Honecker's article cited in footnote 6 is published under the heading "Honecker Reviews Evolution, Tasks of SED," in JRPS 78364, 23 Jun 81, No 1891 of EAST EUROPE REPORT: POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS, pp 4-11]

> [Text] At the Tenth SED Congress in April 1981, the directive on the 1981-1985 Five-Year Plan was submitted and adopted. As per GDR reports the plan tasks are now to be discussed by enterprises and employees. Subsequently the law on the five-year plan will be drafted and probably enacted by the People's Chamber toward the end of the year. The report of the SED Central Committee to the party congress included a complementary "economic strategy for the 1980's." The guidelines of both the directive and the strategy are: The greatest possible growth by the exploitation of all opportunities offered by modern technology, drastic increases in exports, little increase in investments and private consumption.

The "Tenth SED Congress Directive on the Five-Year Plan for the GDR Economy 1981-1985"[1] fixed noteworthy goals. Conspicuous are the high growth rates of output and the discrepancy between them and the planned development of domestic expenditure (average annual growth as percentages):

	1976 to 1980		1981 to 1985
	Plan	Actual	Plan
Produced national income	5.0	4.1	5.1 to 5.4
Industrial goods production	6.0	5.0	5.1 to 5.4
Domestic expenditure:			
Investments (domestic)	5.2	4.8	1.8 to 2.3
Retail turnover (nominal)	4.0	4.1	3.7 to 4.1

Following the changes in price policy at the consumer level and the introduction of new assortments at higher prices, the rise in nominal retail turnover is no longer identical with an improvement in real supplies. Even if we assume a price rise of only just above 1 percent--and that is surely the lower limit--, the real rise in private consumption must be assessed at less than 3 percent. Planning through 1985, therefore, calls for a great deal of economic growth without a corresponding rise in investments and without the real additional performance being reflected in a corresponding improvement in living standards.

Focus: Foreign Trade

The powerful effort demanded of the GDR economy in the new five-year plan is explicable only against the background of the country's foreign trade problems. Since prices began to climb on the world market in 1973, the GDR's balance of trade has been in deficit every year. In the past five-year plan period the GDR's deficit achieved unprecedented amounts.[1] The total of the past 5 years amounted to almost 29 billion VM /valuta marks/.[2] Most of it by far arose in trade with the Western industrial countries (25 billion VM), but even trade with the Soviet Union is now in imbalance (9 billion VM). None of the export efforts of recent years managed to halt this development. While GDR exports rose by about 10 percent in the average of the years 1976-1980, the growth of imports was just as great. Largely this was due to the difference in prices. Adjusted by price, exports did rise more than imports. However, in the balance of trade the financial result alone counts, not the transfer of non-monetary assets.

According to Western estimates GDR debts in convertible currencies amounted to some $10 billion[3] at the end of 1980, and of course these debts must be serviced. Interest payments currently swallow more than a third of the value of exports to the West. A reduction of these payments is therefore one of the most important challenges in this five-year plan period. Many other reasons also advocate priority for exports:

- -- Trade with the Soviet Union has been [illegible] ficit since prices have risen in the CEMA region. The accumulated balance almost exactly corresponds to the higher price of oil in the same period; this means that the GDR was able up to now to finance the additional burden by loans. At some time, however, the Soviet Union is bound to press for at least the equalization of the annual balances, especially because aid to the People's Republic of Poland represents a considerable drain.
- -- According to official reports the GDR has up to now aided the People's Republic of Poland by supplies of goods ("valuta goods" to the value of M300 million)

and "unrequited aid in freely convertible currency" (250 million VM). The possibility cannot be ruled out that there will be more pressure on the GDR as the country with the highest standard of living in CEMA.

-- The accumulated deficit in trade with the FRG amounts to DM3.9 billion (end 1980). Not assured as of now is the financing of part of this deficit by the swing in its present amount of DM850 million in the next 5 years also. Unless otherwise agreed, the swing will decline to DM200 million from the beginning of 1982. Especially in view of the FRG's currently tense budget situation, no economic concessions are like to be granted the GDR if it maintains its present stance vis-a-vis visitor traffic. The GDR would then have a choice between taking out additional loans on commercial terms or a rapid increase in exports--unless it can manage to lower imports.

GDR Foreign Trade by Groups of Countries

	1975	1976	1977	1978	1979	1980 2)	(1) Struktur 1975	Struktur 1980	(2) 1980 gegenüber 1975 4)
	(3) in Mrd. VM 3)						(4) in vH		
(5) Einfuhr der DDR, gesamt	39,29	45,92	49,88	50,71	56,43	62,97	100,0	100,0	10,3
(6) Sozialistische Länder 5)	26,16	29,11	34,21	35,45	36,36	39,87	66,6	63,3	9,9
(7) dar.: RGW-Länder 6)	24,94	27,93	32,70	34,03	34,73	37,90	63,5	60,2	10,0
(8) (dar.: UdSSR)	(14,09)	(14,91)	(17,66)	(18,60)	(19,66)	(22,21)	(35,9)	(35,3)	(9,4)
(9) Westliche Industrieländer 7)	11,41	14,62	13,16	12,90	17,37	19,19	29,0	30,5	10,3
(10) Entwicklungsländer	1,72	2,19	2,51	2,36	2,70	3,91	4,4	6,2	15,9
(11) Ausfuhr der DDR, gesamt	35,11	39,54	41,84	46,17	52,42	57,13	100,0	100,0	10,2
(6) Sozialistische Länder 5)	25,69	28,22	31,25	24,40	38,53	39,26	73,2	68,7	9,8
(7) dar.: RGW-Länder 6)	24,32	26,71	29,54	32,58	36,87	37,39	69,3	65,4	10,0
(8) (dar.: UdSSR)	(12,45)	(12,88)	(14,79)	(16,31)	(19,61)	(20,40)	(35,5)	(35,7)	(10,2)
(9) Westliche Industrieländer 7)	7,88	9,59	8,60	9,10	10,91	13,77	22,4	24,1	9,4
(10) Entwicklungsländer	1,54	1,73	1,99	2,67	2,97	4,11	4,4	7,2	19,3
(12)							(13) Saldensumme 1976-1980		
Saldo, insgesamt	- 4,18	- 6,38	- 8,04	- 4,54	- 4,00	- 5,84	- 28,80		
(6) Sozialistische Länder 5)	- 0,47	- 0,89	- 2,96	- 1,05	+ 2,18	- 0,62	- 3,34		
(7) dar.: RGW-Länder 6)	- 0,62	- 1,22	- 3,16	- 1,45	+ 2,14	- 0,52	- 4,21		
(8) (dar.; UdSSR)	(- 1,64)	(- 2,03)	(- 2,87)	(- 2,29)	(- 0,05)	(- 1,82)	(- 9,06)		
(9) Westliche Industrieländer 7)	- 3,53	- 5,03	- 4,56	- 3,80	- 6,45	- 5,43	- 25,27		
(10) Entwicklungsländer	- 0,18	- 0,46	- 0,52	+ 0,31	+ 0,27	+ 0,20	- 0,20		

(14) 1)Zu jeweiligen Preisen; Wertstellung fob; Verkäufer- bzw. Käuferland.-2)Vorläufige Angaben.-3)VM=Valuta Mark, statistische Recheneinheit zum Ausweis des Außenhandels der DDR; Umrechnungskurs; 4,67 VM = 1 TRbl (Transfer-Rubel); der Umrechnungskurs zu den westlichen Währungen schwankte mit den Paritätsänderungen zwischen dem Rubel und den konvertierbaren Währungen; für 1980 galt: 1 VM = 0,597 DM.-4)Durchschnittlicher jährlicher Zuwachs unter Berücksichtigung des Gesamtvolumens 1976 bis 1980.-5)RGW-Länder sowie VR China, Jugoslawien, Nordkorea und ab 1978 auch Laos.-6)Albanien, Bulgarien, Kuba, Mongolei, Polen, Rumänien, CSSR, UdSSR, Ungarn sowie ab 1978 auch Vietnam (vorher als sozialistisches Land ausgewiesen).-Alle sogenannten "Kapitalistischen" Länder Europas sowie Australien, Japan, Kanada, Neuseeland und die USA.

(15) Quellen: Berechnungen des DIW anhand der Angaben in: Statistisches Jahrbuch der DDR 1980; Statistische Jahrbücher und Außenhandelsjahrbücher Polens; Statistische Jahrbücher des RGW sowie Partnerlandangaben.

/Key on following page/

Key:

1. Structure
2. 1980 compared with 1975
3. Billion VM
4. Percent
5. Total GDR imports
6. Socialist countries
7. CEMA countries
8. (USSR)
9. Western industrial countries
10. Developing countries
11. Total GDR exports
12. Total balance
13. Net balance amount
14. 1) At current prices; value date fob; seller or purchaser country.-- 2) Preliminary data.-- 3) VM--valuta marks, statistical accounting unit showing GDR foreign trade; conversion rate: 4.67 VM equal 1 TRbl /transferable ruble/; the conversion rate to Western currencies fluctuates with the changes in parity between the ruble and the convertible currencies; in 1980 1 VM equaled DM0.597.-- 4) Average annual growth taking into account the total volume 1976-1980.-- 4) CEMA countries plus the People's Republic of China, Yugoslavia, North Korea and, from 1978 on, Laos.-- 6) Albania, Cuba, Mongolia, Poland, Romania, CSSR, USSR, Hungary and, from 1978 on, Vietnam (formerly recorded only as socialist country).-- 7) All so-called "capitalist countries" of Europe plus Australia, Japan, Canada, New Zealand and the United States.
15. Sources: DIW computations based on data in "Statistisches Jahrbuch der DDR 1980" /GDR 1980 Statistical Yearbook/, statistical yearbooks and foreign trade yearbooks, CEMA statistical yearbooks and data reported by partner countries.

As usual the directive's statements on exports and imports provide little information. Less than 5 percent of the total text is devoted to foreign trade, and that deals largely with the importance of "socialist economic integration." The only quantitative goal mentioned is the 50 percent rise in exports to the socialist economic region compared with 1980. The Central Committee report to the Tenth SED Congress additionally notes that total foreign trade turnover is to rise by 36 percent. The long-term agreement on trade with the Soviet Union[5] provides for a turnover of 58 million TRbl (at 1981 prices).[6]

A more detailed picture emerges in the following:

-- Trade with the Soviet Union will expand to an above proportional extent. Real exports from the GDR will rise substantially, stagnation is likely for real imports. This is the only way for the GDR to compensate the further worsening of the terms of trade (raw material and energy prices) as well as reduce the annual deficit--if not convert it to a surplus.

-- Similar considerations apply to trade with the West. Here also a worsening of the terms of trade for the GDR must be assumed and consequently its aim by the end of the plan period to earn a surplus in the annual result. The planned real increase in exports will probably be greater than the rate reported for the socialist countries.

-- Not even a surplus in the balance of trade with the Soviet Union and the Western industrial countries will suffice to resolve the GDR's foreign trade problems by the end of the five-year plan period. The current accumulated deficit is too great and initially--in the first years of this plan period--bound to increase even further. A genuine reduction in the debts incurred up to this point is unlikely in the current plan period. The best that can be expected is an improvement in the ratio of debts to exports.

-- It should be noted that the economic leadership still assumes a real increase in imports in the coming five-year plan period and directs to export increases all its efforts at easing the foreign trade balance. Also to be contemplated would be a real reduction in imports. Possibly the authorities still do not have too much confidence in the efficacy of the planning instruments for lowering the specific consumption of energy and materials in the economy as a whole.

The imponderables in the emphasis on export loom large indeed. On the output side they consist in the uncertainty whether it will be possible to carry out the advances in output to the extent planned despite the extreme restriction of means for consumption and investment. We cannot assume as certain with regard to foreign trade (at least with Western countries) that the GDR's offer of export goods will meet a corresponding willingness to purchase. The concept is understandable, its realization in doubt.

The "Economic Strategy of the 1980's"

The capacity of the GDR's total economy will rise only slightly in the plan period. The increase in the numbers of employed (for age reasons) is somewhat lower than in[7] the past five-year plan period (increase in the numbers of employed--in thousands):

1976 to 1980: 310
1981 to 1985: 235

This time the directive--other than for the previous five-year plan--does not provide any information about the sectors of the economy, which are to have more employees. We know from experience, though, that more than half the possible increase in the past was directed to the nonproducing sectors. The producing sectors will therefore be able to manage only a very small part of their growth by adding manpower.

In view of the ambitious growth targets, the planned development of investments is certainly very small indeed. Fixed assets will actually grow a little more slowly than before.

Continuing with the basic trends of the directive, the substantial rise in output in the five-year plan period is to be achieved with roughly the same expenditure of raw materials and fuels. Of course planning principles always included the demand for greater materials conservation, but in this plan the targets are very much more ambitious (percentage decline in total specific materials consumption):

1976 to 1980: 3.0
1981 to 1985: 5.0 to 5.5

In the coming years primary energy yields are to rise by only 1.7 percent in the annual average.[8] While former energy savings were facilitated by shifting to oil and natural gas (with greater energetic effect), they are now rather more difficult by the greater emphasis on brown coal. From this aspect too, therefore, the situation has become more difficult.

In view of these limiting factors the planned growth rates for the produced national income-- 5 to 5.5 percent--are remarkably ambitious. Evidently the plans are based less on the available potential than on the desirability of the target: A real 8 percent and above growth in real exports simly presumes high growth rates of the total economy.

Of course there are considerable reserves in the economic process of the GDR. They are now to be developed at full throttle, with the aid of an "economic strategy for the 1980's," extensively described by Erich Honecker in the Central Committee Report to the Tenth SED Congress. Involved are 10 headings,[9] and these in fact may be summarized in the urgent demand for

-- "Intensification," in other words the improvement of the efficacy of existing resources,

-- Rising productivity

-- Structural changes favoring products at higher processing stages, better quality and greater profitability in terms of foreign exchange.

Within this concept the demand for structural changes is particularly significant.[10] The productive base of the entire national economy is to be transformed by exploiting every opportunity offered by modern technology, especially the introduction of microelectronics and robot technology.

People in the GDR are well aware also that these targets are very ambitious.

Structural Change in Industry

In the coming five-year plan period the development of GDR industry will clearly be dominated by structural change. That is evident in the different development of industry by sectors, the change in goods output within the sectors, and the increase in export targets. The industrial output of the national economy is to rise by 5.0-5.5 percent per annum.[12] Particularly emphasized is the sector electrical engineering/electronics. With a growth target of more than 9 percent annually it is right at the top. Promotion had concentrated here already in the past five-year plan period, and here--by contrast to all other sectors--the plan target was actually exceeded. In the new plan period the economic leadership expects electrical engineering/electronics, especially microelectronics, to provide the crucial impetus for raising the technological standard in all sectors of the economy.

The planned development in machine construction enjoys a similar emphasis. Growth is to amount to just above 7 percent, about 10 percent in machine tool and processing machine construction. This sector presumably is expected to support a considerable part of the planned export offensive. However, the importance of expots of equipment and plant profitable in terms of foreign exchange is stressed with regard to nearly all machine construction products listed in the directive. In addition it is emphasized that optimum proportions must be established between the component industry and final production--a problem which obviously plagues every level of production in GDR industry.

The "chemicalization of the economy," a catchword ever since the great chemical program of the late 1950's, has been given renewed emphasis in the current five-year plan. Concentrated in the chemical industry are the tasks involved in the greater refinement of oil and the renewal of carbochemicals on the basis of domestic brown coal. The planned (roughly) 6 percent annual growth takes into account the fact that the times of outstanding growth are finished in this sector, due to the reduction in oil use. At the same time, though, the plan rates are greater than the realized development in the last five-year plan period when restructuring began. More refinement is also the slogan for the metallurgical industry.

A characteristic feature of the greater utilization of domestic raw materials is presented by the goals for brown coal mining. In former years output was basically supposed to remain the same (some 250 million tons), now raw brown coal output is to be raised to 285-290 million tons by 1985.

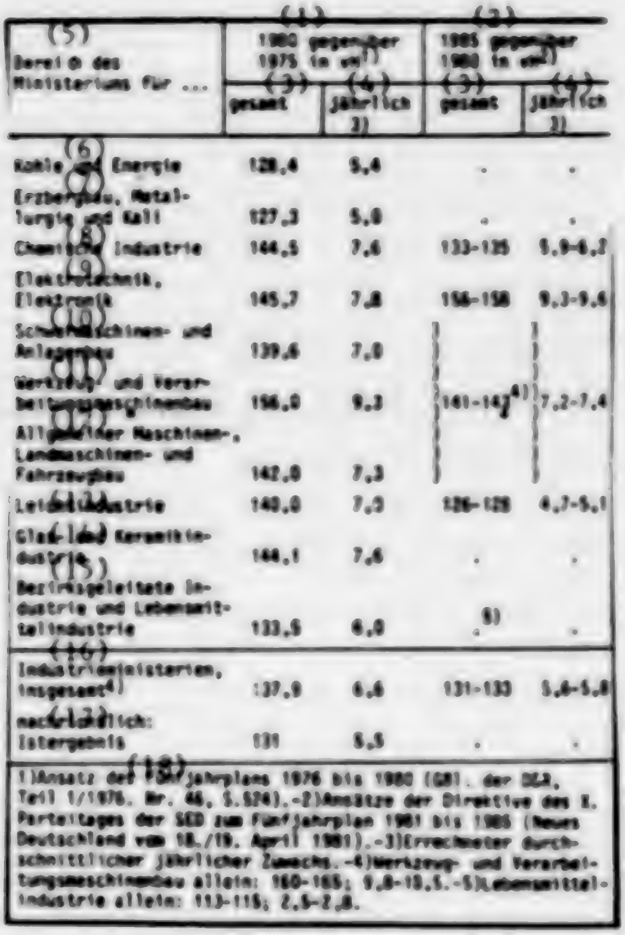
The targets for light industry are set lower. Growth rates have not been published for other sectors; within the framework of the planned total growth, however, they can advance by only about 20 percent, 3.7 percent per annum.

Greater Realism in Agricultural Targets

Recent official pronouncements about agriculture in the GDR bear the mark of realism. On the one hand results largely confirm the economic leadership's approach to "industrialized production methods: Though domestic consumption rose, the GDR has achieved a great deal of self-sufficiency with respect to most farm products, and living conditions for the rural population have noticeably improved. On the other hand some problems are acknowledged: For example the large subsidies needed and the difficulties arising in the enforced separation of crop and animal production as well as the large scale of operations. These difficulties are evident mainly in crop production, where output stagnated in the course of the past five-year plan period, and targets failed to be achieved.

The current five-year plan includes agriculture in the problems of the economy as a whole. It is emphasized that this sector also must contribute to the easing of the foreign trade balance. Crop production has even been elevated to the rank of an instrument of the class conflict.[13] Crop and, in particular, feed production is to be increased so much that imports may be replaced altogether. Confirming with general economic targets, investments in agriculture are to consist less in new constructions than the rationalization of existing facilities.

Plan Estimates of Industrial Goods Production in the Sphere of the Industrial Ministries



(5) Bereich des Ministeriums für ...	(1) 1980 gegenüber 1975 in vH[1]		(2) 1985 gegenüber 1980 in vH[2]	
	(3) gesamt	(4) jährlich [3]	(3) gesamt	(4) jährlich [3]
(6) Kohle und Energie	128,4	5,4	.	.
(7) Erzbergbau, Metallurgie und Kali	127,3	5,0	.	.
(8) Chemische Industrie	144,5	7,6	133-135	5,9-6,2
(9) Elektrotechnik, Elektronik	145,7	7,8	156-158	9,3-9,6
(10) Schwermaschinen- und Anlagenbau	139,6	7,0	141-143[4]	7,2-7,4
(11) Werkzeug- und Verarbeitungsmaschinenbau	156,0	9,3		
(12) Allgemeiner Maschinen-, Landmaschinen- und Fahrzeugbau	142,0	7,3		
(13) Leichtindustrie	140,0	7,0	126-128	4,7-5,1
(14) Glas- und Keramikindustrie	144,1	7,6	.	.
(15) Bezirksgeleitete Industrie und Lebensmittelindustrie	133,5	6,0	.[5]	.
(16) Industrieministerien, insgesamt[4]	137,9	6,6	131-133	5,6-5,8
(17) nachrichtlich: Istergebnis	131	5,5	.	.

(18) 1)Ansatz des Fünfjahrplans 1976 bis 1980 (GBl. der DDR, Teil I/1976, Nr. 46, S.524).-2)Ansätze der Direktive des X. Parteitages der SED zum Fünfjahrplan 1981 bis 1985 (Neues Deutschland vom 18./19. April 1981).-3)Errechneter durchschnittlicher jährlicher Zuwachs.-4)Werkzeug- und Verarbeitungsmaschinenbau allein: 160-165; 9,8-10,5.-5)Lebensmittelindustrie allein: 113-115; 2,5-2,8.

Key:

1980 compared with 1975 (percentage)
1985 compared with 1980 (percentage)
Total
4. Annual
5. Sphere of the Ministry for
6. Coal and Energy
7. Ore Mining, Metallurgy and Potash
8. Chemical Industry
9. Electrical Engineering/Electronics
10. Construction of Heavy Machinery and Equipment
11. Construction of Machine Tools and Processing Machinery
12. Construction of General Machinery, Agricultural Machinery and Vehicles
13. Light Industry
14. Glass and Ceramics Industry
15. Bezirk-Managed Industry and Foodstuffs Industry

/Key continued on following page/

16. Total, industrial ministries
17. Reported actual result
18. 1) "1976-1980 Five-Year Plan Estimates (GBL DER DDR Part I/1976 No 46 p 524.-- 2) "Tenth SED Congress Directive Estimates Regarding the 1981-1985 Five-Year Plan" (NEUES DEUTSCHLAND, 18/19 April 1981).-- 3) Computed annual average growth.-- 4) Machine tool and processing machine construction on its own: 160-165; 9.8-10.5.-- 5) Food industry on its own: 113-115, 2.5-2.8.

These measures do not end the process of industrialization in farming, they merely slow the rate of advance.[14] The announcement was also made that a new LPG law will take effect by the end of the five-year plan period and the farm price reform concluded.[15] It is likely that the price reform will proceed from the start made last year and prices for working requisites raised at the same time as prices of farm product. The cost/yield ratio, therefore, is to receive more attention in this sector also, and agriculture will be made to adopt the necessary cost/yield approach.

Concentrated Investment Activity

According to the directive M268-272 billion have been earmarked for investments in the economy 1981-1985. Distributing this amount to the various years, a roughly 2 percent average annual growth emerges. That is very little in view of the ambitious growth targets.

The directive is not very informative about quantitative investment targets. All the more detailed are the descriptions of the qualitative tasks:

-- Assurance of the energy and raw material base by the development of new strip mines, the construction of a modern briquette factory, expansion of power plant capacities, the construction of chemical factories, the expansion of the East Iron and Steel Works Combine.

-- Thorough-going improvements in the entire technical and technological standard of production by the use of microelectronics, automation and industrial robots.

-- Continuing pursuit of the housing construction program.

-- Electrification of the railroad.

-- Reconstruction in all sectors.

Unistakeably this continues the tendency discernible since the mid-1970's of raising industry's share in total investments, presumably at the expense of all other sectors. And yet it is hard to see how this voluminous program is to be carried out: The basic materials sector will attract more than half of industrial investments, and the introduction of microelectronics and robot technology alone represents a project outlay of several billions.

Indicators of GDR Economic Development (average annual percentage changes)

	1971 - 1975	1976 - 1980		1981 - 1985
	(1) Ist	(2) Plan	(1) Ist[1]	(2) Plan
(3) Produziertes Nationaleinkommen	5,5	5,0	4,1	5,1/5,4
(4) Industrie				
(5) Industrielle Warenproduktion	6,5[2]	6,0	5,0	5,1/5,4
(6) dar.: Bereich der Industrieministerien	6,6		5,5	5,5/5,9
(7) Arbeitsproduktivität	5,2[3]	5,4[4]	4,7[3]	5,1/5,4
(8) Bauwirtschaft				
(9) Bauproduktion	5,7[5]	5,0[6]	4,5[5][7]	3,4/3,7[6]
(10) Produktion im Bereich des Ministeriums für Bauwesen	6,7[2]	6,5[8]	5,3[7]	4,2/4,6[8]
(11) Fertiggestellte Wohnungen[9]	122	150	163	186/190
(12) davon: Neubau	80	110	112	120
(13) Modernisierung	42	40	51	66/70
(14) Landwirtschaft[10]				
(15) Bruttobodenproduktion[11]	2,3	3,6/4,5	0,4	2,0/2,2
(16) Ernteerträge: Getreide	7,8	1,8/3,9	1,4	2,0
(17) Kartoffeln	- 4,2	.	- 2,9	3,0/3,9
(18) Zuckerrüben	0,9	.	2,2	2,4/3,7
(19) Tierische Marktproduktion[12]	6,2	2,8	3,8	0,9/1,0
(20) dar.: Schlachtvieh	7,6	3,0	4,4	1,2/1,3
(21) Milch	4,2	2,6	2,4	0,4/0,5
(22) Eier	7,6	1,9	4,7	1,0
(23) Verkehr				
(24) Gütertransportleistung	3,6[13]	5,4/6,2	- 0,2[13]	2,1/2,3
(25) Binnenhandel				
(26) Einzelhandelsumsatz[14]	5,0	4,0	4,1	3,7/4,1
(27) davon: Nahrungs- und Genußmittel	3,5	2,5/3,0[15]	3,5	(< 0)
(28) Industriewaren	6,9	4,5/5,0[15]	4,8	(> 0)
(29) Außenhandel				
(30) Umsatz[16]	13,4	.	10,2	6,3
(31) davon: Einfuhr	14,1	.	10,3	.
(32) Ausfuhr	12,8	8,4[17]	10,2	8,4[17]
(33) Investitionen[18]	4,1	5,2[19]	4,8	1,8/2,3
(34) dar.: in der Industrie	4,7	.	6,4	.
(35) Nettogeldeinnahmen der Bevölkerung	4,8	4,0	3,8	3,7/4,1

(36) 1)1980 vorläufig.-2)Aus Index-Angaben berechnet.-3)Bruttoproduktion je Arbeiter und Angestellten.-4)Im Bereich der Industrieministerien (Basis Warenproduktion).-5)Wirtschaftsbereich Bau.-6)In der Volkswirtschaft.-7)Geschätzt.-8)Bauproduktion.-9)Durchschnittliche Jahresleistung in 1000 Wohnungen.-10)Ist-Angaben: durchschnittliche jährliche Veränderungsarten unter Berücksichtigung aller Jahreswerte des jeweiligen Beobachtungszeitraums gegenüber dem Jahresdurchschnitt der vorhergehenden Fünfjahrperiode. Plan-Angaben: durchschnittliche jährliche Veränderung ausgehend vom Jahresdurchschnitt der vorhergehenden Fünfjahrperiode im Hinblick auf das geplante Volumen des Endjahres 1980 bzw. 1985.-11)Gesamtheit der pflanzlichen Produktion je Flächeneinheit; ermittelt unter Zugrundelegung des Getreide-Einheiten(GE)-Schlussels der DDR.-12)Summe des staatlichen Aufkommens an Schlachtvieh, Milch, Eiern und Wolle bewertet in GE.-13)Unter Berücksichtigung von Schwankungen im Berichtszeitraum.-14)Zu jeweiligen Preisen.-15)Warenbereitstellung.-16)Zu jeweiligen Preisen; einschließlich innerdeutscher Handel.-17)Export in sozialistische Länder; zu konstanten Preisen.-18)Ohne Generalreparaturen und Auslandsbeteiligungen; zu Preisen des Jahres 1975; unter Berücksichtigung der durchgeführten Gesamtvolumina im jeweiligen Berichtszeitraum.-19)Geplantes Volumen von 234 Mrd.Mark im Zeitraum 1976 bis 1980, bezogen auf die Investitionen des Jahres 1975; jeweils zu 1967er Preisen.

(37) Quellen: Statistische Jahrbücher der DD; Statistische Praxis; Economic Commission for Europe, Genf; Entwurf der Direktive des IX. Parteitages der SED zur Entwicklung der Volkswirtschaft der DDR 1976-1980 (ND vom 15.1.1976); Fünfjahrplan 1976-1980 (GBl. der DDR, Teil I/1976, Nr. 46); Direktive des X. Parteitages der SED zum Fünfjahrplan für die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985 (ND vom 18./19.4.1981); Planerfüllungsberichte; Berechnungen und Schätzungen des DIW.

/Key on following page/

Key:

1. Actual
2. Plan
3. Produced national income
4. Industry
5. Industrial goods production
6. Sphere of the industrial ministries
7. Productivity
8. Construction industry
9. Building production
10. Output in the sphere of the Ministry for Construction
11. Completed housing units
12. New construction
13. Modernization
14. Agriculture
15. Gross crop production
16. Harvest yields: Grain
17. Potatoes
18. Sugar beet
19. Animal production for the market
20. Slaughter cattle
21. Milk
22. Eggs
23. Transportation
24. Freight transport performance
25. Domestic trade
26. Retail trade turnover
27. Essential and nonessential foods
28. Industrial goods
29. Foreign trade
30. Turnover
31. Imports
32. Exports
33. Investments
34. in industry
35. Net cash incomes of the population
36. 1) Preliminary 1980 data.-- 2) Computed from index data.-- 3) Gross output per blue and white collar worker.-- 4) In the sphere of the industrial ministries (base goods production).-- 5) Economic sector construction.-- 6) In the economy.-- 7) Estimated.-- 8) Building production.-- 9) Average annual output in 1000 housing units.-- 10) Actual results reported: Average annual types of change taking into account all annual values of the respective period of observation compared with the annual average of the preceding five-year plan period in consideration of the planned volume of the final years, 1980 and 1985 respectively.-- 11) Total of crop production per unit of land; ascertained by using the grain unit (GE) key of the GDR.-- 12) Total of the state yield of slaughter cattle, milk, eggs and wool valued in GE.-- 13) Taking into account fluctuations in the period under review.-- 14) At current prices.-- 15) Availability of goods.-- 16) At current prices; including inner-German trade.-- 17) Exports to socialist countries; at constant prices. 18) Excluding major overhauls and investments abroad; at 1975 prices;taking into account the total volume transacted in the respective period reported.

/Key continued on following page/

19) Planned volume of M234 billion in the period 1976-1980, related to the investments of 1975; both at 1967 prices.

35. Sources: GDR statistical yearbooks; STATISTISCHE PRAXIS; Economic Commission for Europe, Geneva;"Draft Directive of the Ninth SED Congress on the Development of the GDR National Economy 1976-1980"(NEUES DEUTSCHLAND, 15 January 1976);"1976-1980 Five-Year Plan" (GBL DER DDR Part I/1976 No 46); "Tenth SED Congress Directive on the 1981-1985 Five-Year Plan" (NEUES DEUTSCHLAND, 18/19 April 1981); plan fulfillment reports; DIW computations and estimates.

Considering that investment resources are very limited and selected sectors emphasized, the danger of structural aberrations cannot be excluded. The directive therefore stresses the principle of intensification and rationalization: The best possible yield must be achieved with the resources available, specific consumption lowered, and reconstruction (that is renewal of what is available) rank above new starts; the share of construction must be lowered as well as the proportion of incomplete investment projects. We must doubt whether any coordinated development can be achieved by this approach.

More and more important for investments, especially in industry, is the in-enterprise construction of rationalization aids. Here the combines are obviously given some scope for independent decisionmaking, outside the more stringent controls on investments within the framework of their medium-term rationalization conception.[16] The volume of rationalization aids manufactured within the various enterprises is to double by 1985; their share in total capital equipment investments in industry--amounting to about 16 percent in 1980--will thus rise to more than 25 percent.

Reduced Development of Consumption

Planning in the sector of income and consumption initially differs little from the plan figures in the previous five-year plan period. The net cash incomes of the population are again set to rise by 4 percent per annum (average). The proportion of earned income in cash incomes is to be raised; in contrast to the past five-year plan, when pensions were raised twice and therefore rose faster than earned incomes, no expensive sociopolitical programs seem to be contemplated this time.

The growth rate of retail turnover is to amount to 4 percent per annum, the same as for cash incomes. However, the plans already point out that the offer of high-quality consumer goods is to be emphasized. According to the new pricing principles these goods are considerably more expensive than the traditional assortments. Nevertheless the authorities expect the change in the structure of public demand to continue.

This type of consumer policy is appropriate in view of the scarcity of resources. A large sector of the public will be prepared to pay higher prices for better quality goods, provided always that these goods are actually available in the appropriate quality. The rapid expansion of turnover in stores selling luxury goods and fine foods tends to support this assumption. It would be risky, though, for planning to rely unduly on these structural changes: The increase in net cash incomes does, in any case, lag behind the expected extra output, and if considerable proportions of the additional income are swallowed up by higher prices, adverse effects on the willingness to work may follow.

In any case--despite the constantly emphasized continuity since the Eighth SED Congress, we may note a distinct shift from earlier goals. Despite official protestations to the contrary, the improvement of the people's material and cultural standard of living is no longer the "main task" in the 1980's. Instead the economic leadership is evidently determined to carry out a consistent policy with the aim of balancing the current account, even at the risk of internal friction.

Nor are the social funds from the state budget--M234 billion in the five-year plan period 1976-1980 and M295 billion 1981-1985--enough to improve the real standard of living. Following the substantial rise in subsidies to offset higher prices, the 1981 budget alone appropriates an amount of just under M58 billion. That is almost 20 percent of the figure cited in the five-year plan altogether. If these figures are reliable, no more increases are planned. That, however, contrasts with the further "planned industrial price changes" and the farm price reform heralded.

Summary

Despite the repeatedly emphasized unity of the policy line since the Eighth SED Congress (1971), the SED's new economic conception differs altogether from the basic tendencies of the 1970's.[17]

The approach adopted at the Eighth SED Congress had focused on consolidation. The remarkable growth policy of the 1960's--increase in the investment rate, encouragement of leading industries--was replaced by a balanced policy. Encouraged were the basic materials industries, component industries and--though accompanied by some cuts--the infrastructure, especially transportation. With the adoption of the "main task," the improvement in the people's material and cultural standard of living, the public's consumer needs were also to be emphasized. Already at the time, though, it was stressed that the necessity to export exerted a certain compulsion toward an ongoing and not merely consolidating structural policy. Following the change in world market prices of energy and raw materials in the second half of the 1970's, this necessity grew even stronger. Slowly the priorities shifted toward exports.

The 198-1985 Five-Year Plan means that the SED has moved away from the concepts of the Eighth SED Congress:

-- Though not in so many words, the improvement in the people's standard of living has de facto ceased to be the "main task."

-- The most important economic target now is the rise in exports and export rates.

-- As regards structural policy, the authorities seem to have returned to the conceptions of the 1960's: Instead of consolidation, the technologically leading industries once again are the focus of attention.

In the past five-year plan period the GDR economic leadership reacted with remarkable flexibility to the change in economic conditions. Serveral profound changes in economic organization, the evaluation of performance and pricing were carried out. The directive for the period 1981-1985 does not announce another transformation of the economic mechanism. It merely emphasizes that the planned industrial price changes will continue to be resolutely employed with the aim of lowering costs, and that a price reform for farm products is in preparation. The economic leadership is betting on the success of the measures so far carried out and also on its economic strategy, especially structural policy. It is doubtful whether this is able to trigger adequate growth impulses.

FOOTNOTES

1. NEUES DEUTSCHLAND, 18/19 April 1981, pp 3 ff.

2. VM--valuta mark, statistical accounting unit to record GDR foreign trade; conversion rate 4.67 VM equal 1 TRbl; the conversion rate with Western currencies fluctuated with the parity changes between the ruble and convertible currencies; in effect for 1980 was: 1 BM equaling DM0.597.

3. As early as the end of 1979 the GDR's per capita debts in convertible currencies amounted to $503, only 10 percent less than those of the People's Republic of Poland ($562). Admittedly, GDR debts are only twice the amount of its exports to the West, Polish debts quadruple the amount.

4. Guenter Mittag in the Politburo report to the Thirteenth SED Central Committee Plenum, NEUES DEUTSCHLAND, 12 December 1980, pp 3 ff (p 4).

5. NEUES DEUTSCHLAND, 20 March 1981.

6. Erich Honecker, "The SED--Marxist-Leninist Advance Guard of the Working Class and the Entire Working People," EINHEIT, No 4/5, 1981, pp 323 ff (p 328).

7. "Probable Population and Employment Trends in the GDR through 1990," edited by Heinz Vortmann, DIW WOCHENBERICHT No 23/1976, p 228.

8. "GDR Energy Industry Beset With Difficulties," edited by Jochen Bethkenhagen, DIW WOCHENBERICHT No 5/1981.

9. NEUES DEUTSCHLAND, 12 April 1981, pp 6 ff. Guenter Mittag, Politburo member in charge of economic issues, assessed the economic strategy as follows: "The drawing up of the 10 key points of our party's economic strategy in the 1980's, submitted to the Tenth SED Congress by Comrade Erich Honecker, is among the most important scientific-theoretical achievements of our party at the present time. Our party now has a rounded conception, based on the generally valid inevitabilities of socialism and the experiences of a policy tried and tested in the course of many years, in order to organize the advance to the 1980's." Guenter Mittag, "Combines in the Struggle for the Implementation of the Economic Strategy of the Tenth SED Congress," EINHEIT No 6/1981, pp 531 ff (p 533).

10. "In view of the actual facts of the matter...we could not be satisfied to continue raising our output more or less in the manner heretofore practiced," Erich Honecker, at the inauguration of the 1980/1981 party school year in Gera. NEUES DEUTSCHLAND, 14 October 1980, pp 3 ff (p 4).

11. See, for example, Otto Reinhold, "A Definitely Courageous Decision, or the New Features of an Allegedly Old Hat," TRIBUENE, 29 May 1981, p 5.

12. The increase in industrial goods production in the economy is thus as great as the increase in the produced national income. Earlier the increase in industry used always to be 1 percent higher than total growth, the other sectors (especially agriculture and forestry, retail trade) recorded below average growth rates. The deviation from the usual growth model probably does not signify the catching up of the other sectors; it surely arises from the targets for industry: It is supposed to manage largely without raising materials consumption, so that the rise in industrial goods production (gross) may be identical with the 1 percent greater increase in the net product of industry in the produced national income. However, at no time in the 1970's was an increase recorded for the net rate.

13. "As you well know, foodstuffs are increasingly significant in the international class conflict between socialism and imperialism." Erich Honecker, "Central Committee Report to the Tenth SED Congress," NEUES DEUTSCHLAND, 12 April 1981, p 8.

14. Horst Lambrecht and Konrad Merkel, with the collaboration of Wolfgang Steinbeck, "Consumption and Production of Farm Products in the GDR--Analysis and Forecast," published by the Federal Minister for Food, Agriculture and Forestry in the series "Agriculture--Applied Science," (No 240) with the heading "GDR Farm Policy," Muenster-Hiltrup 1980.

15. BAUERNECHO, 6 June 1980.

16. "Order on the Order of Planning of the GDR Economy 1981-1985 of 28 November 1979," GBL DER DDR, special issue 1020a, 1 February 1980, Part I p 17.

17. See Doris Cornelsen, "GDR Industrial Policy--Changes from 1945-1879," DEUTSCHLAND ARCHIV, special issue (in preparation).

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CSO: 2300/330

SMALL FARMERS RECEIVE HIGHER PRICES FOR PRODUCTS

Details on Price Changes

East Berlin BAUERN-ECHO in German 24 Jul 81 p 7

[Unattributed article: "More Favorable Price Regulations for Beekeepers and Rabbit Farmers--Council of Ministers Passes Measures To Promote Initiatives of Small Producers"]

[Text] On 1 July, 1981, new measures to increase the supply of honey, rabbits, rabbit pelts, and fowl, decreed by the GDR Council of Ministers to implement the Tenth SED Congress' resolutions took effect. Their goal is to give effective support to the initiatives of all small producers for the utilization of still available reserves. Priority is thereby given to the exploitation of locally available fodder (for instance on shingle) as well as the utilization of available stable facilities which can be made accessible without much expense on the holdings of collective farmers, VKSK (Union of Small Gardeners, Settlers, and Small Livestock Breeders) members and other small producers, for increasing the supply of honey, rabbits, rabbit pelts, and fowl.

More Honey for the Population.

Since the demand for honey cannot presently be satisfied, in honey production also, the task gives precedence to increasing state honey supplies by developing harvest reserves and the planned expansion of bee colonies in the next few years. It is thereby taken into consideration that the keeping of bee colonies is connected with certain production uncertainties and that increased expenditures are necessary for the formation of additional bee colonies as well as for the development of additional swarming times, such as forest swarms.

On the basis of the above mentioned Council of Ministers' resolution, appropriate regulations for furthering bee-keeping and honey production were issued through the minister for agriculture, forestry and foodstuffs industry in the decree of 30 June 1981. These apply to citizens who keep bees in their spare time or professionally. This decree stipulates that to enhance material stimulation for the numerical increase in bee colonies a premium of 50 marks be paid for each bee colony kept over and above last year's.

According to the decree, those colonies are considered bee colonies which, in the year under consideration, have been or are being utilized as economic enterprises.

The basis for computation to determine the number of additional bee colonies kept, as compared with last year, is the report issued as of the key date of 31 October on the livestock stand, their reproduction and their comparison with the same key date of last year.

What is to be achieved with the payment of this premium is the stabilization and expansion of the stock of bee colonies, which has regressed in the past few years, as a prerequisite for increasing production in the coming years.

The payment of this premium for exceeding a certain sales achievement of honey per bee colony is to motivate the bee-keepers to sell any honey over and above their own needs to the procurement enterprises.

For quantities of honey delivered to the procurement enterprise which exceeds 4 kg of honey per colony in the case of stationary colonies, and 10 kg of honey per colony in the case of migrant colonies, a purchase premium in the amount of 7 marks per kg of honey will be paid in addition to the prevailing purchase price of 8 marks per kg of honey. In determining the computation basis for minimum sales achievements per bee colony, the various production possibilities were taken into consideration.

The prevailing stock of bee colonies as of 31 October of the current year as well as the total quantity of honey sold to the procurement enterprise for instance in 1981 serve as computation basis for the payment of the purchasing premium.

Thus, a migrant bee-keeper with a stock of 20 bee colonies on 31 October, 1981, would, in the event of sales of 420 kg of honey to the competent procurement enterprise, receive the following remuneration:

420 kg of honey @ production price of 8 M/kg of Honey = 3,360 marks;

sales accomplishment computed per bee colony = 21 kg;

minimum sales accomplishment 10 kg of honey per bee colony;

purchase premium to be paid per bee colony (11 kg X 7 marks) = 77 marks;

for 20 bee colonies = 1,540 marks;

total remuneration = 4,900 marks.

In 1981 the bee-keeper thereby achieves additional income in the amount of 1,540 marks.

Thus, even those bee-keepers who have so far engaged in stationary bee-keeping are to be motivated to change, by means of utilizing a travel wagon, to traveling around with the bee colonies, since especially through traveling around considerable harvesting reserves can still be developed.

Premiums for the increase in the number of bee colonies kept, separated into stationary and migrant colonies, as well as for the increase in sales accomplishments of honey are to be requested by the bee-keepers on or before 31 October from the section chairman.

The section chairman requests these premiums separately for each bee-keeper on or before 30 November from the competent department of the poultry-raising VEB or the equivalent enterprise. The premiums are paid by the poultry-raising VEB to the bee-keeper sections or directly to the individual bee-keepers on or before 31 December of the current year.

Bee-keepers who sell honey during their travels not to the procurement enterprise responsible for their place of residence, but to another procurement enterprise, are given a receipt for the quantity of honey sold. This receipt is then to be turned over to the procurement enterprise responsible for their place of residence via the chairman of the VKSK's bee-keepers' section for computation of the purchase premium. Bee-keepers who do not belong to the VKSK will request premiums at the closest VKSK's bee-keepers' section in the kreis after the determined dates.

Further Incentive for Fattening Rabbits

The Council of Ministers' resolution laid down further orders for stimulating the production of rabbits for meat, as well as the purchase of rabbit pelts. Virtually all the rabbits for the supply of the population are provided by small animal-breeders. An adequate economic incentive is therefore of great importance. Considerable reserves in rabbit production consist of an increase in the rearing capacity of female rabbits. By focusing on achieving a third and fourth litter, possible reproduction of female rabbits can be better utilized and thereby more young animals readied for fattening.

To support these initiatives, a further price markup of M 1.50 per kg, in addition to the current producer price and the price markup of M 1 per kg, is paid from 1 February to 31 July for product classes I and II.

Thus, a rabbit-keeper with a total quantity of 40 kg, if classified in product class I, can get the following revenues for the sale of 10 rabbits for slaughter during the period of 1 February to 31 July:

40 kg X M 6 kg producer price = 240 marks

40 kg X M 1 kg price markup = 40 marks

40 kg X M 1.50 kg markup = 60 marks

total revenues: 340 marks

Through this regulation, the rabbit-keeper obtained additional income totaling 60 marks.

High-Grade Pelts

Since at present the demand for rabbit pelts cannot be met, measures for increased supplies, especially through improved purchase activity, were taken in the Council of Ministers' resolution.

By reducing the purchase product classes from four to three types, a simplification of quality classification is to be achieved, which facilitates the objective quality classification on the part of the buyer.

Thereby, better possibilities are also created to expand the net of procurement points for rabbits by including peasants' trade cooperatives and local procurement points for rabbits. By raising the purchase price per pelt on the average by 1 mark, a greater incentive for the production and sale of qualitatively high-grade rabbit pelts is simultaneously created. Thus, as of 1 July, 1981, the following prices are paid for the purchase of fresh as well as dried rabbit pelts:

Product class 1, M 4.50. Product class II, M 3.00. Product class III, M 0.50.

These measures create further possibilities for a meaningful utilization of spare time, and the individual animal-keepers are effectively supported in opening up production reserves.

Moreover, the efforts of the procurement enterprises for the organization of uninterrupted purchases and the furnishing of young animals adequate to meet demand are furthered. Thus, measures for the furtherance of the purchase activity were laid down in the Council of Ministers' resolution. Accordingly, as of 1 July, 1981, increased purchase commission rates for rabbits and fowl, as well as goslings and young hens are taking effect.

Small Farm Production Data

East Berlin NEUES DEUTSCHLAND in German 16 Jul 81 p 2

[Article by Horst Thomas: "Small Gardens Bring Great Benefits--Individual Producers Deliver Significant Quantities of Eggs, Rabbits, Hides, Honey and Fruit; New Wholesale Prices"]

[Text] Almost every third citizen of our land is owner of a small garden in the front or back of his house, or in a settlement. This serves the purpose of supplying the owner himself with vegetables and fruits. With the sale of fresh produce, the small producers make at the same time an important contribution to the provisioning of the population in our country's cities and communities.

In many of these gardens, small animals are also kept or bred. In the Union of Small Gardeners, Settlers, and Small Livestock Breeders (VKSK) alone, more than 1 million members contribute in their own way useful work to the increase of economic output in our republic. More than half of all fresh fruit for sale comes from small gardens. Nine-tenths of the honey, 47 percent of fresh eggs, almost all rabbit meat, and also all rabit- and marsh beaver pelts are provided by the small gardeners, small animal breeders, and settlers.

The small producers develop reserves and play a role in bringing more and more products by their own efforts into the market. The initiative is also stimulated through new financial regulations. Thus, this month, new procurement prices well above the previous ones became effective for honey, rabbits, and rabbit pelts.

In the past five years, tens of thousands of citizens were again given the opportunity in our republic to put land to use for small garden purposes and for spare time utilization. A total of 1,128 locations for small gardens and 65,594 small gardens were established. This makes 8,659 VKSK sections and 670,688 small gardens. In 1981, another 17,550 small gardens are to be given out. In many places, small, and sometimes hitherto unused, areas are cultivated, on the edge of town or in the villages, which cannot be effectively serviced by large agricultural machinery.

It is the intent of the VKSK members to produce more than 100 kg of fruit and vegetables per 100 square meters of garden area. In all, in 1981 the VKSK members want to place about 165,000 tons of fruit and 115,000 tons of vegetables at the disposal of the population.

Many sections concentrate on the kinds of vegetables which, for labor-economic reasons, are planted in socialist agricultural enterprises to only a limited extent. Thus, they provide for an ever-wider assortment of kitchen herbs, radishes, kohlrabi, garlic, leeks and other crops. More than 15,000 procurement centers have been set up for the small gardeners.

VKSK members, moreover, devote time to the keeping and raising of almost 20 species of small animals of about 500 breeds. Thus, about 34,000 bee-keepers are keeping about 467,000 bee colonies. In more than 1,000 sections, the goal is to sell 17 kilograms of honey per migrant colony and 6 kilograms per stationary colony. The bee-keepers of the Hohen Neuendorf section want to surpass these 1981 goals by one kilogram each. In toto, the association's spare-time bee-keepers want to fill 14 million jars of 250 grams each for sale.

Some 160,000 tons of rabbit meat and 8 million rabbit pelts come from sections which devote themselves to these activities. In Gnoien, the members are aiming at 16 young animals per female rabbit and 150 kilograms of breeding animals and rabbits for meat. The fodder comes primarily from local reserves. Many of the 59,000 quality-fowl breeders enrich supplies with goose meat. More than 8,000 tons of goose meat came from them in the last five years. The goal for 1981 is 1,600 tons.

Other high-quality pelts come from 3,500 fur-bearing animal breeders. In Mieltiz, Gera-Land Kreis, 33 section members are aiming at delivering 2,500 nutria and 700 mink pelts this year. In 1980, 1,680 of the former 630 of the latter came from them. In toto, it is the goal of these fur-bearing animal breeders in the GDR to prepare 150,000 nutria and 65,000 mink pelts this year.

State organs and peasants' trade cooperatives (BHG) give the VKSK valuable support. For 700 million marks, tools and materials for home, farm, and garden are being supplied. Among other things, the BHG offers seeds, and plants, fruit copses, young animals, feed-, fertilizer-, and plant protection materials, as well as building materials. They also establish lending centers.

9011
CSO: 2300/312

GERMAN DEMOCRATIC REPUBLIC

COAL INDUSTRY DEVELOPMENT ANALYZED

Bonn INFORMATIONEN in German No 10, Ma 1 pp 9-11

['Background' report by the FRG Ministry for Inner-German Relations: "The Soft Coal Industry in the GDR"]

> [Text] In the GDR energy industry, the soft coal industry continues to take first place. According to the latest GDR information, soft coal production is scheduled to be increased to 300 million tons annually by 1987/88 and will continue to secure some 80 percent of the electrical energy generation. According to GDR calculations, the soft coal reserves will last another 60 to 70 years approximately so that the soft coal industry is regarded as a "secure bridge into the nuclear energy age" in the GDR. However, the necessary technical equipment of soft coal mining is becoming larger and more sophisticated and thus more expensive. In the report of the Central Committee presented at the Tenth SED Congress, General Secretary Erich Honecker termed the "expansion of a strong energy and raw materials basis", applicable especially to soft coal, a "basic prerequisite for the continuation of stable economic development."

In 1960 GDR raw soft coal production had already reached 225 million tons; it increased to a peak of 261 million tons by 1970 and, due to a temporary preference of other raw material sources, dropped to 247 million tons in 1975. Since that time the annual production increased again and stood at 258 million tons last year.

With regard to worldwide soft coal production (more than 900 million tons in 1979), the GDR is the No. 1 producer by a wide margin, followed by the USSR with an annual production of slightly more than 200 million tons, and the FRG which produced some 130 million tons of soft coal in 1979.

As in recent years, the soft coal industry accounts for approximately 80 percent of the GDR electrical energy production and is thus the main contributor.

The most important operations of the soft coal industry include soft coal open-pit mines, soft coal pit mines and briguet plants, mostly operating in combines. Power plants are directly connected to the mines or plants. At present the following seven soft coal combines exist in the GDR:

- Bitterfeld
- Borna
- "Erich Weinert" Deuben
- "Glueckauf" Knappenrode
- Regis
- "Geiseltal" Grosskayna
- Senftenberg.

GDR information, however, does not disclose the respective output of each of the combines. It is only known that most of the soft coal is produced in the Cottbus Bezirk. The Senftenberg combine alone with its 13 open-pit mines produces over 50 percent of the GDR soft coal output. Open-pit mines in the Leipzig Bezirk produced approximately 10 percent of the soft coal in 1980.

Reserves

According to GDR data, the GDR has approximately 45 billion tons of soft coal reserves at its disposal, which have been located geologically, of which 18 to 21 billion tons can be mined industrially applying the latest state of the art. Only less than half of this amount is located in fields containing more than 250 million tons; the larger portion lies in smaller fields which frequently contain less than 100 million tons of coal. More than 50 percent of the GDR reserves are located in the Cottbus Bezirk.

Most recent geological research has revealed that major soft coal deposits can be expected in the North of the GDR as well. These deposits, which were not taken into account in the above-mentioned reserve figures, might further improve the GDR's energy basis after the turn of the century.

Technical Development and Economic Expenditure

Due to the relatively small size of the GDR soft coal fields and problems of capacity in heavy machinery construction, heavy equipment of relatively low capacity was generally used in soft coal open-pit mines in the GDR from the 50's to the mid-70's. For 1979 the number of heavy equipment was quoted to be 316, including 240 heavy-duty excavators, 16 winding bridges, 60 reclaimers and 785 coal wagons. By mid-1980 the number of heavy equipment increased to 361.

In recent years the equipment for the removal of waste was also greatly improved. This had become necessary because ever larger amounts of waste had to be removed in soft coal mining. Today waste removal is effected by means of waste winding bridges (AFB). Their capacity has meanwhile become a decisive factor for the production volume of the open-pit soft coal mines.

The first AFB type was installed in the "Glueckauf" Knappenrode open-pit mine in 1958 and could handle a mining height of 34 m. In the meantime AFBs for mining heights of 45 to 60 m have been developed and put into operation. A comparison: The average output of a 34-m AFB is approximately 100,000 cu.m daily, while the newest 60-m AFB features a daily output of up to 300,000 cu.m.

As mentioned, the waste quantities which have to be removed in order to produce the soft coal have increased constantly over the years, e.g. in 1960, 2.8 cu.m of waste had to be removed per cubic meter of soft coal produced in the GDR open-pit mines, whereas the figure is at 4.7 cu.m today and is expected to go up to nearly 6.0 cu.m by 1990.

It is these waste problems that have contributed to considerably higher economic expenditures in soft coal production. According to GDR figures, the cost price of soft coal production rose from 6.70 marks per ton in 1971 to 11.02 marks in 1979.

Increase in Production

In 1978/88 the GDR expects to achieve an annual soft coal output of 300 million tons; this is to serve the purpose, among others, of expanding electrical energy generation and reducing high-priced petroleum exports. At present the GDR industry is already producing carbochemical products in an annual amount corresponding to a 7 million ton petroleum share; this figure is expected to increase to 11 million tons by 1990.

In addition, coal refinement is also important for the energy industry. It is true that the efficiency of energy conversion from soft coal to electrical energy in thermal power plants hardly exceeds and will continue not to exceed approximately 35 percent (international average achieved at present); however, if synthetic gas is produced from soft coal, an efficiency of 50 percent or better could be achieved. This is the reason why the generation of synthetic gas is to be increased by 40 percent by 1990, from 5 billion cu.m at present.

In order to achieve the planned increase in soft coal production, a minimum of 16 new open-pit mines are scheduled for development by 1990. According to GDR Minister for Coal and Energy Wolfgang Mitzinger, this will not be possible if the speed used so far is applied (6 to 8 years from the start of development until the start of production).

Therefore, according to the above, "scientific and technological measures in preparation and concentrated use of invested capital" are scheduled to shorten the average times of new developments to 3 or 4 years. For this purpose, Mitzinger stated, labor from other economic sectors will have to be relocated to work in soft coal mining.

The new development of additional open-pit mines, however, is not only necessary to produce more soft coal, but also for the purpose of compensating for the continuous loss of exploited open-pit mines. Of the 35 open-pit mines producing in the mid-70's, for instance, approximately one-third was exploited in 1980. Of the 30 open-pit mines presently in operation, 11 will have been exploited by the late 80s.

9544
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NATIONAL CURRENCY PUT IN PERSPECTIVE, DEEMED STRONG

Budapest MAGYAR NEMZET in Hungarian 23 Aug 81 p 9

[Article by Katalin Botos: "The Forint Today"]

[Excerpt] Our forint is now 35 years old. Not long ago we remembered its birth: the Hungarian government introduced the currency on 1 August 1946 to replace the pengo which had set a world record for inflation. Its course since then has not been strewn with flowers, and what it will be like in the future depends on our economic policy, the consistent realization of our principles, and the work of all of us.

The history of money is the history of economy. The greatest change in the "life" of the present forint occurred in the 1960's when we carried out important reforms both in production and trade and in the economic mechanism. Among other things, the 1968 reform set as the goal to activate the commodity-money relations, and attempted to create a regulated domestic market and to unify the variety of monies that existed before. One of the basic ideas of the economic renovation was that its development could no longer be based on national self-sufficiency (autarky): the value judgment of the external market would have to be recognized for the sake of better adjustment to the world market. Therefore, we introduced the foreign trade price multipliers which link external and internal prices and which we gradually wanted to invest with an exchange rate function.

The operation of exchange rates requires flexible producer and consumer prices. Proceeding from this principle, the Hungarian reform set as its goal to perfect our price system in this direction, and if our partners should take similar steps then we would carry out a comprehensive price and currency reform. The realization of these plans was obstructed by two circumstances: on one hand, by the fact that because of our more narrow foreign economic environment the anticipated measures were not carried out; and on the other hand because the world market price explosion and crisis made our own work basically more difficult. The complicated price support system that was used in the first period scrambled our domestic prices and budgetary relations, while our external equilibrium became more unfavorable. And yet for an increase in the foreign economic role of the currency it was necessary in any event to have certain price, or capacity and foreign exchange reserves. It was a dispensable condition that in the case of every small country the foreign trade balance must show a surplus--this would not even be possible for the countries as a whole; but it was indispensable that the national economy in question should be in a certain equilibrium with the foreign economy. That is, it should have partners who on occasion balance the deficit foreign trade performance capability with an influx of capital. (Permanently accumulating price losses and increasingly greater import demand, without a correponding increase in export capability, will not favor an increase in the foreign economic role of the currency.)

The only "positive feature" of the crisis was it made it clear to everyone that participation in world market work specialization was an imperative necessity. We need to continue developing our regulators in such a way that they will strengthen this process--and this gave an impulse to the development of our currency relations.

Particularly in times of recession like these, it is difficult to break into the world market with finished products in the progressive branches, and therefore we sought to increase more than merely traditional commercial trade. Foreign trade and international credit can be conducted in several convertible currencies without any problems and in fact this is the practice. But neither in foreign trade nor in production is it a matter of indifference to the Hungarian economy under what conditions it gains or uses the foreign currency. In a developed monetary system these are difficult to establish without realistic prices and exchange rates; but cooperation and joint undertakings are impossible without joint thinking in the forint and the foreign exchange.

(In any event, in the 1970's our country was in the vanguard of those urging East-West cooperation however, because of the unfavorable business cycle the interest of the foreign partners became somewhat moderated. As for joint undertakings, 54 joint and 16 Hungarian-interest enterprises were operating in 1980 in the developed capitalist countries, and three joint undertakings were established on Hungarian territory.)

First: the Price Reform

The condition for the development of our exchange rate system was above all the reform of the price system. At first, we made only partial changes, but then in accordance with the new circumstances we implemented a comprehensive price and regulator modification. We set the producer price ratios in the competitive sphere by following the world market price ratios. We brought the consumer price ratios, aside from determined sociopolitical subsidies, closer to the producer price ratios which were developing in this way. We also eliminated from the new price system certain calculation factors, and thus finally in this way the producer and the consumer price levels approached each other.

Parallel with these processes, we modified the exchange rate system. In 1976 we declared that our country would use a dual exchange rate system, one commercial and the other noncommercial. Over the years we gradually reduced the commercial exchange rate: on one hand, to moderate the factoring in of the world market inflation into enterprise costs; and on the other hand, to stimulate our exporters to more effective price work. (The difference between the price multipliers and the noncommercial exchange rates which came to 100 percent when the reform was introduced was reduced by 1979 to 75 percent, and to 40 percent with the 1980 price reform.)

The 1980 price measures increased the effect which had resulted from the earlier upward appreciation policy of the exchange rate. In case an enterprise could not compensate for the decrease in the exchange rate by raising the export foreign exchange prices, its revenues in forints would decline. This would be true not only for exports but also on the domestic market according to the new price mechanism. (In the meaning of competitive price formation, the enterprises have to reduce also their domestic prices if their export profitability deteriorates.) This regulation multiplies the compulsive effect of the exchange rate, and stimulates the enterprises to eliminate uneconomic exports. Now we need to find the methods for creating the appropriate incentives for the development of economic export and the capital mobility and institutional conditions necessary thereto.

The development of the monetary systems requires, to be sure a modern, flexible financial and institutional system. Closer credit relations and the reviving trade and joint undertakings require that the banks should be there "on the market," and be incisively familiar with the financial and economic conditions of the given countries. This is promoted by bank representatives and joint financial institutions.

There is a Hungarian representation in the foreign banking institutions. In November 1979, the Central European International Banking Corporation was formed with the MNB [Hungarian National Bank] and six foreign banks as co-owners. (This is the first bank which was established in a socialist country as a joint undertaking. Its task is to promote international trade: to this end, it has authority to conduct convertible foreign operations in any part of the world. In this respect, it was freed from Hungarian foreign exchange rules, and thus it can independently undertake foreign trade and financing, the extension of export development credit, and participation in joint undertakings.) Hungary also has foreign bank interests in Vienna and London; the Hungarian National Bank maintains representational offices in New York, Paris, Zurich and Frankfurt, and it is a stockholder in the Bank for International Settlements in Basel. All of them have the goal of linking the Hungarian bank and financial system into the "circulation" of the international credit and money markets, and to be a natural and reliable partner of foreign money proprietors and creditors.

To this day, the Hungarian forint has traversed a long way toward an international currency. But the Hungarian consumer is primarily interested in what he receives in Hungary for the money. He knows that in recent times consumer prices have increased relatively fast, while incomes are exactly now--it seems--being "tightened up" by higher requirements. It is no wonder that there are many who recall with some nostalgia the time when the purchasing power of their pay was very great, eggs and fruit and swimming pool tickets cost only fillers. But we are inclined to forget that within the past quarter century the consumption structure has expanded with a wide range of goods. Or, for example, that the passport has now become a civil right, and that world visits have become an everyday matter. (In 1951 only 19,000 Hungarian tourists went abroad. By last year this figure rose to 5 million and 164 thousand!)

And we do not often mention that other countries are also subject to similar and even greater difficulties . "I wish their problems were mine," people say when during a tour they see that the stagnation in developed capitalist countries has occurred along with a much higher standard of living. But the forint cannot be blamed for the relative lag. We have done a great deal and we are doing much more to make up for what was left undone: in any event, there is no "miraculous" money and currency policy. Today almost everyone in the world is constrained to manage more economically, particularly in the national economies that are poor in energy resources: it is from here, this less than problem-free situation, that we must find the way to further progress.

Worth Working For...

Amid today's problems, two paths are open to economic policy: it can seek to keep prices stable, something which can be accompanied by disadvantages; or it can permit a certain rise in the price level and take care that it will be the most efficient producers and workers who obtain additional income. In this way, the distributable goods which are more tightly available will not put an end to the active role of money: it will still be worthwhile to work for it because the desired goods are available.

What is the foreign evaluation of our currency today? On balance not unfavorable. In comparing the forint, which represents the Hungarian economy, with their own experiences and those of other countries, the foreign experts see results. Our CEMA partners value highly the fact that we successfully guarantee the foundations of currency stability and the corresponding commodity supply. The capitalist countries, on the other hand, state that the Hungarian economy has considerable liberalized its foreign trade, and its directive system has also developed greatly. They believe that to a certain extent the forint has already achieved de facto convertibility.

6691
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ROLE OF WORLD MARKET PRICES ELABORATED

Budapest MAGYAR HIRLAP in Hungarian 21 Jun 81 p 7

[Article by Istvan Matko: "Our Price Policy: As the World, the World Market; Adjusting to the Living Standard"]

[Text] We have left behind us years which required of us a renewal, and explanation of facts connected with prices, and the application of continued discussion about them. The subject has a long previous history with definite critical points: in May 1966 the MSZMP Central Committee established the price policy principles and they were mentioned in other resolutions, among which the April 1978 decision set the modifications in the price system development. Naturally the price policy became a component part of the regulation system, the Sixth Five-Year Plan law.

Still, the subject of price comes to the fore from time to time in official forums, just as it does in private conversations. The fact that price is perhaps the most mobile factor in economic events is probably the cause of this. With the change of the world and world market, prices change too, stimulating the producer one day, slowing him down the next; yesterday prodding him with increased demand, and today making him disrupt the level of supplies. The economy must adjust to these changes if we want to work and live in harmony.

Balance Requirements

Our price policy recognizes these facts. As an instrumental system for planning and guidance, prices must correctly orient and motivate economic decisions. They must promote efficient growth and use of economic resources, adjustment of production to demand, rapid development of technology, dispersion of modern products, the development of the economic consumer network, and the supply-demand balance. Enough can be done in these tasks only if they do not separate the economy from the surrounding world market development, and if they are not too late. This is the case even though it is not easy to set up such synchronization, for example, because in a given case the price increases and the social policy of the socialist state support deviating requirements.

Before the start of the Sixth Five-Year Plan in September 1980, the Parliament discussed the work program of the government. Gyorgy Lazar, the chairman of the Council of Ministers, was hardly acting randomly and stated, referring precisely to these conditions: "We have achieved processes promoting the renewal of the balance at the cost of difficult implementation of decisions sensitively affecting the entire society in many cases. The question crops up repeatedly and among many people of whether there was any real need for a radical modification of economic relations, especially production and consumer prices. I can say with conviction and with a good conscience that there was such a need. This was primarily true because if production and consumption continue to be separated from real value and interest relationships, this could only mean postponement of the solution of growing contradictions. On the average the work of the government would certainly have been easier if it had not gone ahead with necessary measures, and we admit this, measures which were unpopular but economically unavoidable. However, in the future the government will not be free to avoid difficult decisions if in this way it can prevent deterioration of the situation and create conditions for improvement."

These jobs and tasks have not lost any of their validity. Recently at a meeting of one of the Parliament committees, they summed up the short-term and long-term tasks of the consumer price policy. It became clear that the task of our price policy, in keeping with the times, is to reconcile the world economic processes with our standard of living policy, and in particular to see that real wages do not decrease. In the language of numbers this means that this year a 4-5 percent average increase in the consumer price level can be permitted along with a nominal wage increase of 4-5 percent. Of this approximately 2.5-2.6 percent will be achieved in the enterprise sphere, while 2-2.1 percent will be achieved by means of central measures. In both spheres the effect of foreign market prices will be decisive in domestic price increases.

Respect for Realities

The Sixth Five-Year Plan does not count on such comprehensive price measures as was the case on 23 July 1979, but it is inevitable that we use effective price increases to prevent the separation of consumer prices from justified production expenses. It is first necessary to advance in the direction of prices conformable to value in those areas and systems where our foreign trade interests demand it: balance improvement remains an important unaltered goal. As the industrial committee established at their Thursday meeting, the process of balance improvement unfortunately indicates a reduction in imports rather than an increase in exports. Therefore it is expedient to continue to influence price proportions so that the consumers better understand the interest of the national economy.

The noticeable price increases for fuels in recent years and this year provide an example of this for understanding: the fact that gasoline prices reflect more realistic cost relationships, has benefited the state's coffers more than any call for austerity or any propaganda compaign. Of course the purse-squeezing gasoline price increases affecting car owners also demonstrates another important requirement of our price policy, namely that the real users and consumers of consumer goods, in our case gasoline, pay for them. It is easy to understand that those who do not own cars do not fuel this burden, and at the same time the fact that society does not subsidize this consumption does not add to the fuel bills of the automobile owners. This expresses one of the significant phases in today's price policy: respect for realities. But let us return to our original idea: what economic goals today compel permanent maintenance of prices, including consumer prices, or of their increase or reduction?

What should be mentioned first is the fact that the role of prices to stimulate production must definitely be preserved, and we cannot for a minute permit the balance of supply and demand to be upset. The point of departure for our price policy is unchanged: the forint will remain good money as long as its purchasing power is preserved, as long as goods can be obtained for it, [and moreover such selection and quality as is justified by the nation's production system and level of development and [required] by the achieved standard of living and consumer habits.]

This has a number of important conditions. Now it is sufficient to refer to the fact that the producer, for example the food producer, will be interested or not in satisfying consumption, dependent on price flexibility. If the vegetable or fruit grower, or the stock farmer, does not get the price on the market which covers his expenses and includes a proper return, he will immediately decide not to raise vegetables or produce meat. The state can try special support systems, but this leads to a negative two-tier price system hypocritical, insoluble inconsistencies and preserves uneconomic production and bureaucracy.

But two important conditions are required for prices to be sufficiently flexible, the range of free prices and modification of official prices. This in practice presumes that our price policy itself be flexible, based on uniform principles, and complete with a stable system of conditions and requirements, which it consistently applies, and at the same time is capable of rapid price modifications at need, if foreign market or domestic economic processes do demand. Along with price formation and control, guidance in product turnover has also come under the sphere of authority of the National Material and Price Office, the implementing and coordinating apparatus, set up for the practical implementation of our uniform price theory. Suitable forms of pricing have developed (although more changes can follow): today in the entire consumption sphere of the people, 8 percent of the products pertains to a fixed price form, 30 percent to a "maximized" price form, 7 percent to an officially restricted price form and 55 percent to a free price form.

What is the guarantee that the requirement of relative price stability can be met in the midst of such "degrees of freedom", which is an important criterion in preserving the standard of living? In the long run this applies to the feasibility of the price policy no less than the pertinent system of measures.

Recognized-Accepted

Experience shows that the stabilizing instruments introduced into the price mechanism work effectively. (Often over effectively, too, disrupting the rapid adaptability of prices.) This has also been true more than once in the recent past when we found flagrantly bad enterprise price formation and millions in economic penalties. The fact is that the instruments built into the price mechanism, price control, the cost-accounting obligation, the preliminary obligation of registering an intention to raise prices, the right of the Price Office chairman to veto, and others have helped the consumer price level operate successfully with central control. Economic guidance keeps the price processes operating in the market in hand and under control. Of course, we cannot ignore the fact that the market price level has affected social classes differently. The 9 percent consumer price rise, planned in 1980, reached 9.1 percent. However, the perceptible increase was higher by 0.4 percent among white collar workers and 0.2 percent among pensioners, and was 0.4 percent points lower among peasants and cooperatives and people with a second income.

From a proper time perspective it can also be said that public opinion has recognized --and accepted--our price policy and the structure associated with the prices of our economic guidance. Although in the case of important consumer items, it is not easy to demonstrate that price increases have not seriously affected anyone, experience has shown that if the reasons are clear and if the background of the price changes can be properly identified with reality by the people, they then look upon the changes in view of future goals and effects, and not with annoyance. This means that an important achievement in our successful price policy is the publicity which makes it possible for public opinion to attentively follow the price plans and the sequence of our steps in economic policy.

6806
CSO: 2500/284

REGULATOR EFFECTS ON ECONOMY NOTED

Budapest MUNKA in Hungarian No 7, 1981 p 1

[Article by Janos Vajda: "Our Economy--After Course Modification"]

[Text] It is a commonplace observation that "this year" is of particular importance to the development of the economy. Still we shall seek to analyze the past months of 1981. Not only the modified economic regulator system and the new producer price mechanism, which was "run in" after initial jolts changed the course of the economic processes; in the final analysis we are speaking of the start of the Sixth Five-Year Plan. In the investigations of the branch and the functional state directive organs, or on the basis of the evaluations by the trade unions, what sort of experiences can we filter from the statistical figures to characterize the first quarter?

The picture would not be complete if we did not refer to where we started, that is, what were the characteristic production and managing results and difficulties in 1980? The economic regulators that were put into effect were called on to stimulate the restoration of the economic equilibrium, to increase the adjustment capability of the enterprises (cooperatives) and the expansion in the share of products that could be favorably sold in international competition, with care that the standard of living did not suffer and that, if possible, the living and working conditions of the workers would continue to improve somewhat.

We succeeded in approaching these goals. The indebtedness process, in effect, came to an end. The foreign trade balance in nonruble relations showed only an insignificant deficit, there was an equilibrium in purchasing power and commodities, and per capita income did not decline. Nevertheless, production and management for the year 1980 were not free of strains and unfavorable trends. In changing the product structure, we did not achieve the necessary coverage, and the freed capacities were by no means converted to the manufacture of new and profitable products. Expectations were not fulfilled in realizing a positive two-level price system, namely, that the producer price level exceed the consumer price level by a good several percentages. This situation (which developed because producer prices were higher than planned) may exert a certain pressure on consumer prices. Moreover, those reserves that sought to guard against a factoring-in of inflation by means of a so-called active exchange-rate policy (the upward evaluation of the forint as compared to convertible currencies), are being exhausted.

The trade unions must strengthen their price control activities. To protect living standards and consumer interests, the trade unions have tried to persuade the enterprises to be moderate when they shape their producer prices. But in everyday practice a contradiction that is difficult to solve hinders the readiness of the enterprise and trade union organs and of the branch and central leaderships. The group interest, the direct incentive of a given producer unit or of the workers of an industrial branch, stimulates an increase in producer prices and the acquisition of the additional income obtainable in this way. But the general interests of the national economy or the living standard policy exert an effect in exactly the opposite direction. We have not yet succeeded in finding a reassuring cure for the "schizophrenia" of the local trade union bodies. Indeed, over the long run it will hardly be effective to appeal to self-consciousness and to political maturity as opposed to material incentive that can be measured in forints.

The most debated factor in the regulator system is wage and earnings regulation, based on basic incentive and limited by built-in "restraints." Most characteristic today is the wage-fund control system; 85 percent of those employed receive their pay on this basis. During the year, nominal wages rose 1.4 percent higher than planned. The chances for wage increases were improved partly by a greater-than-expected ratio in manpower reduction and to a lesser degree by surplus profits in several subbranches and in enterprises. Corrections in the wage index because of the new producer price system allowed a fair number of enterprises a greater scale of wage increases.

Because of the moderate wage policy of the enterprises, significant wage reserves, approaching 4 million forints, were formed last year. But the current year's regulator modification strictly restricts the use of wage reserves. The position of the trade unions is that the present enterprise indexes are not the most suitable to determine wage development possibilities. If we disregard its worthy incentive for greater achievement and the necessary degree of differentiation, wage regulation is a good regulator of purchasing power; from this point of view it assures a very important equilibrium between commodities and the outflow of money volume. However, because of the 20 percent decline in the sharing fund linked to wages, the profit incentive is slowly becoming nominal. To restore the incentive strength of profit to its role, we must change the relevant modes of regulation.

Let us turn to an evaluation of development in the first quarter of this year. As we stated, the economic processes are not free of certain contradictions. The greatest result is in the further improvement of the economy's external balance. But in analyzing the kind of processes that caused the improvement, the results are not so attractive. Compared with the first 3 months of the preceding year, production in socialist industry increased by 1.9 percent. The acceleration was particularly great in cooperative industry with an 8.7 percent increase, while state industry produced 1.5 percent more. In daily average production, the improvement comes to 3.2 percent, inasmuch as there were fewer working hours in the first quarter than last year.

Outstanding results were achieved in the export economy of several important branches; for example, bauxite mining increased its performance by 23 percent, the communications and vacuum technology industry by 14 percent, poultry and egg processing by 12 percent, and the weaving industry by 11 percent. As compared to the plan and the base, however, concrete element manufacture, the metalware industry, iron metallurgy and the cotton industry lagged.

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PROPER USE OF WAGE INCENTIVES WEIGHED

Budapest MUNKA in Hungarian No 7, 1981 p 4

[Article by Csaba Vertes: "Shall We Provide Incentive Cleverly or Wisely?"]

[Text] Let us avoid the answer to the question in the title and look first at the examples.

Chemical Industry Plant

Imported material substitutes for production, in large volume, for consumer products purchased regularly by everyone. If anywhere, intensifcation is necessary here. The manufacturers discovered the method (they felt that there were somewhat considerable achievement reserves) and used the idea. The group that achieves more can earn substantially more than in the previous ways. Is this logical? It is not to us.

The manufacturers, in fact, were thinking according to a two-times-two logic. They also reassured themselves that, with a wage surplus paid in this manner, additional production with considerable profit, or with immediately marketable comodities, was latent. Still they observed the developments with anxiety. The anxiety was not without reason: Within several months the achievements bolted to such an extent that they could have maintained the tempo only if they had basically exceeded the enterprise wage level set by the regulators. Within a short time, they stopped the experiment. Achievements plunged immediately.

Construction Industry

Within the industry is a provincial enterprise with a good reputation, the native land of the so-called "lump sum wage remittance." The essence of the method is that the wage costs for a certain job are deteremined in advance and in a lump sum. If the team works more rapidly and with better organization, it will still receive the predetermined wage.

We cannot say that this experiment also failed. It is still being tried here and there, but very cautiously, surrounded by many safeguards, with wage sums considerably cut, compared to the start, or without particular results. Here, too, it soon became evident that wage remittance without limits releases incredible achievement reserves and accelerates the work tempo to an extent that cannot be maintained with the money that is being paid.

Here the modernization of the product structure, among other things, is a question of survival. According to the studies of the Labor Research Institute, very few people working in the industry can be "transferred" relatively easily and rapidly to some kind of new technology; few have skills that are convertible. Thus, it is necessary to seek the better ones. The first question of those chosen is, "how much more will I get if I learn the new job?" There is no answer. An enterprise manager who is worth anything cannot make an irresponsible promise. Whoever prepares himself to work within 1 1/2 or two years at a new job that requires greater skill and more modern techniques, who will deal with the manufacture of more marketable and profitable products, should be patient and mainly self-conscious; he should see that he is learning for the future. Most of those concerned, however, lack these noble human qualities, unfortunately. The efforts at modernizing the product structure are already hindered at this point.

And Agriculture?

Here, according to common belief, wage regulation is more flexible and liberal. Following is a quaotation from the manager of a producer cooperative in a main branch system: "This year's plan for crop production is 72 million forints. One hundred eighty of us have a wage fund of 9 million forints. But the crop production plan could be fulfilled with 160 workers, naturally with more work and care or for higher wages. Thus, we could release 20 men to other branches if we could share their wages among the remaining 160. But we cannot, because this would exceed the wage level. I do not understand this: Why do so many assume that the regrouping of manpower, accompanied with greater incentive wages, would lead to inflation? Our 20 men would continue to work for us but would create new values in another branch. The remaining 160 men would produce, by working more, as much as the present force of 180 men."

Let Us Experiment

Let us experiment and look about among the managers; their incentive system has a close relationship with enterprise results.

"The manager's annual income," says one of the managing directors of the wine industry, "depends on the annual results of the enterprise. To attain the most favorable revenue position, the enterprise must be managed in such a way that every year it will bring out the most and the best, and even more in succeeding years, from the collective. This cannot be, however, There are, of necessity, deliberate, accepted stagnation periods in enterprise management, for example, when we are preparing for developments required by market changes perceived well in advance. The regulators, however, must be considered: From year to year, how much in increased results should they raise the base that will serve as the basis for achievement evaluation? This regulation, founded on a base outlook, stimulates the managers to fragment the existing and relatively easily used internal reserves, to distribute them over a number of years so that even in the most unexpected situations they may be able to produce some kind of "result" compared to the prevailing base. The incentive system honors only the increment, in the case of unskilled worker as in the case of the managing director."

And Now Back to the Basic Question

"Shall we provide incentive cleverly or wisely?" We must regulate and control the outflow of the wage fund, which appears as purchasing power. If there is no adequate volume of commodity to back up the wage fund, that is, if the purchasing power has no commodity cover, then there is trouble. Only, in the case of an excessively rigid wage and earnings regulation that excessively fears money inflation, we must reckon with another kind of inflation: the inflation of achievements. This is not a technical-financial question but a sociopolitical one. This lesson can be constantly generalized: While we jealously guard the value stability of the forint, we forget about the values latent in achievement reserves.

These examples urge on us some kind of middle-of-the-road solution. In fact, if someone works more, produces more and at greater value, what should he not receive substantially more pay, at least in ratio to his increased achievement? If someone is also performing another's work and is promoting our much-lauded manpower rationalization, why should he not also receive the wages of his colleague? Why do we not give managers the possibility of also engaging in larger undertakings? Most do not willingly take risks because the condition of "neither success nor failure" means for them (and for everyone else) the most favorable income position attainable.

The ideal of our wage and earnings regulation is the middle way: the one who performs what he should, and not too much because our achievement requirements are low. Let the question posed in the title remain unanswered.

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INVESTMENT PROBLEMS IN ECONOMIC REFORM DISCUSSED

Directions of Reforms in Investment System

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4, Apr 81 pp 1-3

[Article by Albin Plocica]

[Text] Today we want to discuss changes and new solutions of the investment system and the building industry against the background of "Basic Principles of the Economic Reform." Considering the broad range of problems, we will limit ourselves mainly to economic solutions of the investment system, assuming that:

--the investment system is closely connected with the overall national economy and considerably dependent upon it and at the same time should contain specific solutions arising from specific investment activity;

--the economic system reform depends not only on purely economic and organizational solutions but to a considerable degree on changes in the management system, enhancement of economic democracy and autonomy in management;

--the effectiveness of economic solutions and parameters has definite limits, especially when we are dealing with a considerable maladjustment of the economy, with a lack of equilibrium and controllability; from that point of view, to assure the efficiency of the economic solutions adopted in the investment system reform, a certain period is required, as well as definite actions, not always economical, that cause the economy to respond to economic instruments and be controlled by those instruments.

Our discussion demands a critical attitude toward the solutions contained in the principles of economic reform as it relates to the investment and construction system in this country. The question is whether these solutions form a viable investment system, whether they are justified from the social and economic points of view, whether they match the specifics of investment and construction activity and solve the main problems in controlling that activity, whether the reform proceeds to overcome the basic shortcomings of the investment process and whether the equipment in the practical instrumentation is satisfactory and realistic for introduction under ordinary conditions.

But besides this critical attitude, the discussion should offer a proposition complementing and particularizing, or alternatively serving as a complete and progressive investment and construction system and its introduction into practice.

The basic principles of the system of economic reform should contain a series of very essential and progressive theses relating to the investment system. Some are formulated directly and others indirectly, and still others must be deduced from the entirety of the "Basic Principles." Many important elements of reforming the investment system are missing from that document.

Which very important elements of the new investment system are contained in the principles of the economic reform?

First, they contain considerably decentralized investment decisions and considerably increased independence of all direct participants in the investment process, that is, investors, builders, planners and producers of capital goods, building materials, etc.

Second, the principles of the reform envisage the distribution of all investment in the economy to four groups, according to level and organizational unit. The investments are 1) central, 2) economic organizations, 3) state-owned local and 4) investment with its own population resources. This distribution is meant to decentralize investment decisions, limit competence and localize responsibility for the undertaken investment as well as establish conditions for independent and rational economy of resources within the respective areas (capital investment groups).

Third, the system and methods of controlling investment processes are changed; that is, conversion from directive-distribution methods to legal regulation and economic parameters, such as prices and their relations, taxes, the principles of the system of economic enterprises, the principles of the incentive system, the distribution of income and profit, the economy of enterprise funds, building standards, economic contracts, etc. This means, in the sphere of investment and construction, the relinquishment of investment allotments, directive-type indicators in the area of tasks for construction enterprises, allocation of materials and equipment, the administrative system of distribution of construction and assembly tasks and work, etc.

Fourth, conversion is the basis of action for enterprises in the self-financing investment process; that is, covering production and capital investment from economically managed income and profit. This means a break with the widely used allocation system of assets and covering expenditures on investment activity through redistribution of resources on the scale of an association or government department, as well as taking on investment or production based on their own saved assets.

Fifth, there is an important element of the investment system, one contained in the principles of the economic reform regarding the enterprise, requiring independent decision by enterprises regarding the distribution of saved income or profit to the personal income fund (wages, prizes, etc.) and also to the enterprise development fund (that is, for capital investment, renovation, research, etc.). This is a new instrument. It was taken from Yugoslavian and Hungarian solutions. The system can make direct and independent substitutions in enterprises between the growth of wages and growth of capital investment.

Sixth, the reform plan envisages changes in the investment financing system and considerable reduction of the role of banks and the banking system in investment and construction activity. The changes are based to a considerable degree on the principle of investment self-financing through economic organization, establishing the size of capital investments in economic organizations on the basis of their own assets, supplemented by bank credit. Such credit must be allocated on the basis of effective competition; that is, on the basis of the most effective indicators of the represented investment intentions in particular sections of the economy or branches of production. Under the reform, great tasks fall on the banks and the banking system, interacting the banking system assets with the size, proportion and effectiveness of investments made and the course of investment processes.

The economic reform contains other important but generally adopted elements of the investment system. They concern, for example, a different system of preparation of investment plans, a different relation of central investment plans to those of economic organizations, other principles of organizing investment processes, etc.*

What can be said in general about these main points and solutions? Most of them are right in direction but incomplete and still do not form an investment system. Hence, these principles must be discussed, examined and supplemented. The concept of the investment system contained in the principles of the economic reform must be substantiated and supplemented with a series of practical instruments. Some approaches are too general and susceptible to various interpretations.

Some elements of the system are controversial because they conform inadequately to the specifics of the investment process. The discussion of the reform principles that must take place will gather a series of elements to elaboration of the desired investment and construction system.

We ask then whether the proposed investment system halfway solves the basic problems and shortcomings and the existing investment process and activity. What problems and effects have appeared for many years in a chronic and very troublesome way to produce a series of important economic consequences and losses?

The first such problem is an uncontrollable rush toward excessive investment, leading to overinvestment, with all its consequences. The second problem is too broad a front of investment in the economy, leading to dispersion of outlays and assets, high freezing and commitment of investments, lengthening of the investment cycles and reduction of the effectiveness of incurred outlays.

The third problem is a strong tendency to increase new, extensive investments and decrease intensive investments, including modernization investments.

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* I presented these problems in more detail in the previous issue of INWESTYCJE I BUDOWNICTWO [No 3, 1981]

The fourth problem is the tendency to prefer investment in heavy industries and neglect, both in the plans and in the course of their realization, investment in social consumption and in consumer goods. Such neglect led to great disproportions in the economy.

A fifth, very lasting, phenomenon in investment activity was a tendency to a mania for largeness, not only in the general scale of investment but also in relation to particular enterprises and investment objects in various sections of the economy, especially in industry and some areas of agriculture.

Another lasting phenomenon was a lack of balancing investment plans with the resources for their realization, aggravated by implementation of the plans.

In investment activity there is a rather broad field for superficial and subjective investment decisions in all stages of management.

Which principles of the economic reform relating to the investment system will help to eliminate these phenomena and which will be effective in solving these problems?

Many of those phenomena will be counteracted. For example, they should partially reduce the rush toward investment, contributing to greater rationality of investment decisions, weakening the tendency largeness of investment, better consideration of modernization investments, etc. Those solutions regarding the parameters of indirect reaction may prove unsatisfactory in solving many urgent investment problems.

The resources and mechanisms for reducing the rush toward investment, contained in the reform principles, depend on limiting the scope of central administrative decisions, on greater independence of enterprises, on linking operational activity with investment activity in the enterprises and on substituting resources for wage increases and enterprise development. The centrally established directions and instruments of credit policy and the banking system also will affect the dimensions and structure of investment. The group of investments subject to central decision should play an important role in this area.

However, in these principles of economic reform more instruments appear for regulating investment dimensions and fewer for regulating the investment structure. This problem of basic importance has not been completely and conclusively solved in the reform principles.

The role of the central investment plan and its connection with plans for investment, planning, construction and other undertakings is not completely clear. The question is whether the nationwide plan must determine the investment policy in the country and whether it has to be a resultant quantity used for the plans of economic units or all participants in the investment process between whom differences and conflicts of interests occur. If the central unit plan must determine investment activity in the country--and it should play such a role--then, first, an entire system must be created for developing the principles (forecasts, programming, balancing, analysis and selections) of such a plan under the new economic system. Second, the system of widely accepted information and influence on all participants in the investment process is needed. This system, the method of information transmission and influence and also the elimination of reaction to that information and implementation of broad social preferences must be developed. A system for establishing parameters and methods of correcting them must be well developed; they must be the basis for investment selections and decisions not only of investors but also of planning bureaus, construction contractors, producers of machinery and equipment, etc.

Many types of activity are required, including the development and practical application of:

--the forecasting of socioeconomic processes and the long-range programming of investments on different scales and on different levels of the economic system;

--a complex method of economic planning and balancing of investment programs, with the resources required for their implementation, scaled to the economy, in branch and territorial cross sections;

--a method of optimizing investment programs and plans for various objective functions;

--a system of social control of investment plans on the central and field levels and that of the enterprises, as well as more thorough methods of appraising drafts of investment solutions on their merits.

An indispensable condition of investment system reform and rationalization of production and investment decisions is the elaboration and practical application of an economically justified system of procurement and selling prices for raw materials, materials and energy, and capital goods (machinery, equipment and building materials) for building production and the consumer good manufacture. The selection of rational economic decisions and correct cost effectiveness analysis, especially when selecting kinds of investment (new or modernization), also require revaluation of fixed assets in the economy.

Because of the present low prices for existing assets and high prices for new capital goods, the results of cost effectiveness analysis of modernization investments are distorted and unfavorable, compared with new investments. These low prices of assets worsen the results of cost effectiveness analysis of modernization and suggest that often it does not pay to modernize. These paradoxes in selecting the type of investment are deleterious and should be eliminated.

We have briefly touched upon only problems regarding the directions and conditions of the economic reform in the investment sphere; they need a complete and constructive discussion.

Obvious Problems in Investment System

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4, Apr 81 pp 4-5

[Article by Zdislaw Sadowski]

[Text] We are inclined to reply negatively to the main question, whether the basic reform principles limit the desired investment system. These principles minimally reflect the work of Group V of the Reform Commission, which deals with the investment system. The output of that groups is important material, which unfortunately has not been covered in the press.

Only very general lines have been sketched in the reform principles. It is difficult to speak of a clear solution of the investment problem. Only one basic matter is stated there: a tendency to reduce centralization in investment decisions. That text can be variously interpreted. The creators of the text appreciated the importance of the investment system. Proper definition of the entire economic system is a key matter. The reform document does not exhibit an understanding of this.

The investment system is therefore the key to restoring the health of the economy; the main faults of our former system of management are reflected in it. The system did not fulfill the promised expectations in a planned socialist economy. One basic cause was attempting to conduct only coordinated investment activity. However, this was not achieved, not only in the last decade and, moreover, not only in our country. This is a more difficult problem than expected from theory and desires.

This diagnosis is important for all the conclusions and postulates that are advanced. Thus, for example, the defects of our investment system were revealed not merely as a result of the rampant voluntarism of individuals, which emerged in the last decade. Those defects lie deeper--this system in general performed badly much earlier; only the degree of its collapse was lower. The system never led to coordination and harmonization of investment activity or, as a result of investment activity, to structural adjustment set between supply and demand in all sectors of the national economy. The present grave crisis to a great extent has revealed earlier problems.

This ascertainment is indispensable for the proper demonstration of problems that must be kept in mind when attempting to formulate solutions for economic reform.

Some of those problems have readily found answers; others still have no answer. The latter are obviously more important in the sense that they require more attention.

Included in the first group are problems relating to the decision structure. Better solutions can be developed relatively easily to give a clearer determination of who, and in what region, can and should decide about starting investment enterprises. Such solutions were outlined in the basic reform principles, although they are very satisfactorily represented by some of the preceding speakers. It is mainly a question of decisions reserved for the main decision-making center and those subjected exclusively to the management of economic units, and therefore of enterprises and field organizations. No one has yet changed the latter and their role must be enhanced each time. They cannot be forgotten, because one very basic problem of the economy is the chronic lack of teamwork of the two structures--the branch and the field--with each other.

The problem of distribution of decisions can be solved; here the Group on Investment Matters has gone much further than the reform principles. Thus, for example, an important postulate regarding decisions has been formulated so that the majority of investment decisions are made on the "micro" scale and therefore by the enterprise and field organization; for the main decision-making center only a relatively small pool of decisions is reserved. Opinions vary on where to draw the line. Some reserve for the main decision-making center decisions on large investments relating to the infrastructure. Some allocate to that center some key decisions on production investments with a great influence on the structure of the country's economy. (I am in the second category). Designation of the latter solution presents no basic difficulty, however.

Therefore, the other type of problems, with no satisfactory solutions, is more important. Two main problems are:

1) limitation of investment pressure;
2) assurance of structural coordination.

Saying that these two problems have not been solved does not mean, however, that they cannot be solved. A solution has simply not yet been found; it's only necessary to look for it. Therefore, the key question is how to limit the pressure and how to assure structural coordination.

Recognition that the two matters cannot be settled by decision centralization, is a great achievement. Therefore that breakthrough in thinking is needed to allow the introduction of that centralization by the back door. Such tendencies occur even at this meeting. Centralization is introduced by the back door by at least two methods. First, if the area of action of the main center has not been clearly designated, there is no assurance that centralization does not work in some way. Second, if solutions shift the burden of decision to a different apparatus--for example, a bank--that also is centralization. Shifting the decision to a bank settles nothing; urgent problems of the decision criterion remain.

Another extreme depends on complete decentralization and shifting of investment decisions to the enterprises and local authorities. However, as Assistant Prof Plocica rightly pointed out, experience indicates that decentralization does not pass the test either. The Yugoslavian experience does not pass the test. Almost the same problems seen in it: an excessive development of the investment front, low effectiveness of investment, etc. Why does that happen in a system granting full right of investment decisions to the enterprise, with very limited supervision from the center, which deals only with large investments in power engineering and the like? Where does the excessive pressure of investment demand come from under those conditions? Autonomous enterprises that decide about their internal tribution distribution of income tend toward investment, not accumulation: they want to invest but prefer to obtain resources externally. Because it was easy to obtain foreign credits, Yugoslavia found itself in a situation similar to ours in nature, although not in acuity. This is shown by the need to use any regulating mechanisms in good time. Yugoslavia must find in investment financing its own method of matching its resources with the outside resources. In our former thinking this direction was represented by the necessary coupling of one's own resources with bank credit in financing all investments to assure an active role of the bank in investment selections.

The Yugoslavian solutions contain an interesting element that answers the argument frequently advanced against the self-financing of investments: that it leads to petrification of structures (one who has many assets has large investments). The Yugoslavian solutions depend on the establishment by the enterprises of the possibility of investing not in themselves: they can jointly form banks--their network numbers several hundreds--where enormous financial resources can be set aside for investment credits to other enterprises. While interesting, this solution might not be suitable for our country. It must, however, be examined in detail. There is no reason to retain the idea that a single bank must finance investment, or three banks. Is it possible to mobilize a considerable number of small commercial and investment banks? This is a matter of possibly using enormous investment resources in enterprises for different purposes unconnected with a given enterprise, without centralizing the disposition of those resources.

The assurance of structural coordination is another question. This problem is completely open. Shifting investment selections to microeconomic organizations in a price system that will be defective for a long time would lead to erroneous decisions from a societal view. Structural warp would arise from a defective price system. As long as the price system is defective, therefore, the action of those managing the center through direct decision is inevitable. However, the problem of the area of that interest is important, and also of its limiting forms. Director Caczek today expressed the idea that coordination should be accomplished by a different planning level. For such a solution to be satisfactory in the transitional period, two matters must be clearly stated. First, that other level is not the departments but the associations. Second, the role of those associations in the economic organism would have to be determined completely differently than usual. That role must depend on the management of the entire investment and innovation process (attention has been turned toward the combination of these two lines) not through direct planning but through programming and preparation for those conditions. That thought has not been described anywhere in the principles of economic reform.

Another aspect of structural coordination arises because highly capital-intensive investments often cannot be realized (even in capitalism) by individual enterprises that do not pay for them. However, in such cases there also is no need to involve the central level immediately. It also is possible here to consider the possible use of elements of the Yugoslavian and Hungarian experience and seek solutions through syndicates of enterprises interested in broader programs (water resources, for example).

Therefore, there are no ready-made solutions for the problems under consideration. One must seek them, avoiding hasty and routine answers, especially since the main problem is not an "ultimate" system but a system suitable for the needs of the very near future. The system should not be encumbered by the sins of excessive centralization and cannot be based on the enterprises' freedom of decision. This is the main difficulty. As a result, a reduced role of cost effectiveness analysis in investment selections cannot be anticipated from improving the computation formulas. The main consideration is not the formulas but the investment system.

Problems in Reforming Investment System

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4, Apr 81 pp 6-9

[Article by Henryk Swidzinski]

[Text] The principles of the reform have become the subject of lively social discussion, inspiring both controversy and critical attention, as well as the proposal of alternative solutions.

The basic direction of the reform will not cause major reservations. The basic elements are universally accepted; that is, reduction of the bureaucracy of the management and planning systems; assurance of the independence and autonomy of enterprises on the basis of cost effectiveness analysis and self-financing; increase of the independence and powers of local agencies; departure in the central control system from administration directed distribution methods to indirect action with economic, financial and parametric instruments; improvement of the pricing system and the relationship of prices for raw materials and supplies to world prices: development of horizontal partnerships between enterprises on the basis of contracts and financial responsibility, and also enhancement of the role and function of banks.

The reform principles include many useful propositions but they are not satisfactorily related into a consistent and complex system as a real mechanism for the functioning of the economy. Likewise, not all the themes of the new system have been sufficiently sketched and discussed, including the complex and extensive area of investment problems.

The document devotes too little space to the concept of the investment system and organization of the investment process under the new system. That area has many blank, unclear spaces. Some matters more widely considered and emphasized do not always have basic importance. For example, the division of investment into four basic categories is considered a leading element of the investment model: central investment, investment of economic organizations, investment of field agencies and investment of one's own population.

This division cannot be treated as a primary model solution. Such an aggregate division of investment has always existed and cannot be seen as model changes in the management and control of investment activity. The problem is not formal divisions of investment or even the linking of each category of investment with the corresponding decision level and sources of financing. It is a mechanism to assure rational proportions between individual forms of investment and at the same time to assure optimal structures and harmony of all investment activity in the national economy. Determination of reasonable boundaries between the centralized and decentralized spheres is especially essential.

The degeneration of the former system of management and planning, which led to well-known results in the nation's investment and economic situation, was caused above all by an overgrowth of central decisions and disturbance of the rational proportions in the investment structure. This excessive investment centralism, despite formal division of investment according to managers, disturbed the proportions of the plan, destroyed the system of the investment front and caused gigantic freezing and commitment of investments. What guarantees the division of decision-making control in the propositions when such phenomena arise? The propositions contain no guarantee; the designation of the essence of central investments is too vague and does not dispel those fears. The investment categories within this division gives a certain priority to central investment. The proposition that the center, within the framework of central investments, will decide only "about specific enterprises or programs having strategic importance," does not solve this problem. The concept of "startegic investment" is very extensible and ambiguous; any content and range of material can be substituted. Additional reservations concern inclusion in the category of central investments not only individual, exactly designated undertakings but even so-called "programs," and therefore entire assemblage of investments.

This does differentiate enough between the sphere of investment reserved for the central level and the sphere of investment for economic organizations, especially in the same areas of production. Large investment enterprises with a high estimated value, raised as central investments, as a rule enjoy higher prestige, rank "breakthrough force" than the investments of their own enterprises (especially modernization), scarcely perceptible from the central level. At the same time, in view of the effectiveness and speed in obtaining effects, the preference system should be formed inversely.

It is necessary to limit clearly the range of central investments and define the areas of the economy in which they can occur; for example, the large technical infrastructure; the fuel, energy and raw material base, national defense and enterprises involved with integrated international obligations.

This is necessary in particular to prevent, in the same areas and branches, the qualification of investments as central investments or as investments of economic organizations from depending only on the dimensions and estimated value of the investments. Practice has shown that this is an illusory criterion, which does not assure primary utilization of the less expensive and less capital-intensive possibilities for the development and improvement of production through investments of the enterprises themselves. Conversely, it forms artificial pressure on the center to raise large investments in the central decision procedure. These matters require closer scrutiny and appropriate systems regulation.

One must think over the whole investment model under the reform, which generally forms a completely new qualitative system of relations between the center and the enterprises. The function and range of action of both the central organs and the economic units vary.

The traditional system had a multilevel management hierarchy, through which proceeded a decision cycle and the regulation of investment activity. This did not assure proper treatment of investment needs of units below the hierarchy.

A basic assumption of the new system is the provision of central control and determination of the socioeconomic development goals, with the simultaneous opening of a broad field for developing grass-roots initiatives of economic and local organizations in realizing those goals, while preserving their economic independence and freedom of decision.

The practical solution of this assumption will not be easy under the new system. Instead of direct methods of transferring tasks of the central plan (the National Socio-Economic Plan--NPSG) to economic units through a vertical system of management by means of limits, orders, directives and specific individual investment tasks, economic, financial and parametric instruments, through which central requirements meet the corresponding enterprise initiatives, must be developed.

Within the NPSG framework only central investments will be decided specifically, upon the previously mentioned assumption of their essential limitation in comparison with the past. The remaining investment area will be defined only in the aggregate and as a guideline, in the form of cumulative estimates and not particular limits and tasks on an organizational unit (plant and equipment) basis. Consequently, the basic content of the plan will be formed on a direct system of "enterprise-bank" relations, on the basis of the economic-financial system and solutions of the credit system.

Everything previously handled by the ministries and Planning Commission in the formation of the actual investment plan is transferred to the bank. The role and responsibility of the bank are growing immeasurably. The bank will be the actual manager of the credits at its disposal, in accordance with the NSPG provisions; the investment structure and dimensions will be formed. The task of controlling investment activity also falls on the bank. Therefore corresponding investment activity control must be developed in the bank, control to guard against excessive investment freezing and commitment and simultaneously impel investors to efficient and on-schedule realization of investments and planned effects.

Is the bank equal to that task? This is a gigantic organizational problem; for its solution, efficient regulators in the credit and financial policy of the bank, and also personnel reinforcement, must be developed.

The next matter, which not only in the next few years but even in the next five-year period will have special importance in investment policy, is the creation of suitable systems solutions to intensify the modernization processes as the main direction of investment in the sphere of production.

Insufficient attention is devoted to this question. An especially essential and important matter is the activation of modernization processes and the adaptation of the productive apparatus to balance drastic tensions in supply, especially with energy, fuels, raw materials and supplies, and imports. Shortages and lack of supply impede the use of existing productive capacities in nearly all branches and areas of production.

The economic and financial system ought to control investment and the effort of economic organizations above all to remove "bottlenecks," which restrain the use of basic productive capacities, and the technological displacement of manufacturing processes mainly in the use of scarce factors of production. Solutions of this system ought to be developed naturally, not as directive and administrative action toward modernization, above all, of the intensifying type; that is, those correcting efficiency and expressed as amended material costs (mainly on deficit sectors) in the improvement of the up-to-dateness, quality and durability of goods and their ability to compete as exports.

With especially acute shortages, particularly in energy, fuels and raw materials, extensive modernization oriented mainly toward the growth of production and not toward the consumption of scarce components of supply, not only does not attenuate those difficulties but intensifies them. Therefore, in the area of modernization itself a need arises for differentiation of the investment and credit policy as a function of modernization that creates a preference for intensive-type modernization.

The former directive and administrative control of investment activity was not organizationally adapted to the solution of those problems. The centralist distribution of allotments, resources and tasks could not meet the requirements and start motivational actions of direct economic units in that direction.

Besides, the former anachronistic system and structure of producer prices did not contribute to this. Lower prices for raw materials, energy and materials reduced their weight in the cost structure and did not cause corresponding reactions of economy.

The material intensiveness and energy intensiveness per unit of national income in Poland are several times greater than the comparable values in other industrial countries of Europe. This is also a gigantic latent reserve; activation could contribute essentially to improving the economic situation. At the same time it is difficult to free the reserve from the central level. It is concealed inside productive processes of the economy, in its various elements, in the structure of technology and design of production, in the apparatus of the manufacturer and the organization of production, in the material and supply economy--in a word, in all nooks and corners of the enterprises. Only the immediate managerial personnel and the factory collectives know the location of those reserves and only they are able to release them efficiently. The reform principles formally create the conditions for independent initiatives of enterprises in resolving those problems above all through their own investments raised from the development fund and basic credits.

In the reform principles all enterprise investments will be divided into two groups: renovation-modernization investments ("small-scale modernization") and "expansion" investment (including general modernization). This is in essence today's obligatory division. However, allotment reduction of enterprise investments and the transition to control through economic and financial instrumentation are a modification based on the systems.

The basic source of financing investments of the first group (renovation-modernization) will be one's own resources, formed in connection with writeoffs from depreciation and profit and therefore correlated through depreciation with the state of the fixed assets and partially through profit with the profitability of the enterprises. The financing of the second group (expansion investments) is based on the obligatory allocation of their own resources and supplementary bank credit.

These solutions contain the incentive for economizing on one's own resources within economic activity, as well as elements of control through the credit system in relation to expansion investments.

Although useful in its assumption, the systems concept conceals certain hazards. The proper functioning of this system in practice depends on the fulfillment of certain conditions and requirements. A basic condition is the accurate establishment of the financial norms governing the formation of one's own resources. The stream of resources flowing from such norms ought to correspond objectively to the substantiated need for investment in the enterprise, readjusted to the actual state and degree of consumption of fixed assets. The situation can arise in which, in enterprises and branches with sufficient fixed assets at their disposal and requiring complete modernization, those norms related to the value of the old fixed assets; reduced again and again, do not assure a suitable level of the enterprise's own resources to cover the costs of purchasing new equipment, at the much higher level of their prices above the book value of the withdrawn fixed asset.

At the same time, in enterprises with new fixed assets the same norms can create much more resources than necessary to cover the needs for the modification and modernization of production equipment. Connecting sources for forming the development fund with profit can deepen that disproportion still more. The enterprise will prefer the more profitable route.

High profitability shows directly that the enterprise uses its fixed assets completely and effectively and that the structure and technical-economic condition of the assets are good and do not require modernization investments. However, low profitability in the enterprise directly shows a need for appropriate modernization and correction of fixed assets by investments.

Against this background, a division of enterprises into "rich" and "poor" can be outlined. This type of distortion and disproportion occurred among other places where large economic units have been introduced. Some enterprises like Petrochemia have had at their disposal such gigantic resources of their own that they have surpassed all their modernization and investment needs.

The problem of proper and accurate determination of the financing norms can be decided with respect to the decentralization of investment authorizations. Irregularities in that area can cause a tendency to administrative intervention and failure of the system.

At the same time, with the formation of rational and efficient solutions in the economic-financial system and the instrumentation of direct control of investment activity, a need exists for improvement of planning methods of the central plan. The development of preplan studies, and even of preprogram studies, becomes especially urgent.

In the existing situation of balanced tensions, in all sectors of the economy it would be necessary to make a thorough analysis, in the complex inter-subsector input-output system, of the state of nominal production capacities and the reasons for their non-use according to production factors, in order to detect in another way inconsistencies in the harmony of entire national economy. A map of the inter-subsector dependences, along with estimates of the reserves of existing production equipment in use, would be the basis for selecting places where appropriate preferences in instructions and regulations of the NPSG, and also the credit policy of banks, were noted. Investment, especially of the modernizing kind, in those sectors would eliminate as rapidly as possible inter-subsector bottlenecks and assure optimization of the entire economic system.

Precisely this direction under the new system ought to become the main part of the preprogram work to form both the macroeconomic conception of the central plan and the delimitation of its goals and directions and also become the basis for use of all instruments of economic interaction.

The remaining problem is the implementation of the reform. It is widely considered that, with profound investment imbalance and a need to make drastic decisions about discontinuing many hundreds of investments, reforms cannot be introduced because the methods of direct limitation of outlays cannot be given up. The question has to be posed differently. The three-year stabilization program now prepared must establish a program in the existing program for the termination of continuous investments, decide on the range of completely discontinued investments and also determine the updated schedules for the realization and termination of those investments acknowledged as the most urgent and conforming with present socioeconomic goals and needs. This "hard" program for the realization and termination of continuous investments must not be subjected to any further expansion or supplementation. New investments even in preferred areas ought to follow the new system's solutions. It would be necessary to initiate some elements of the new system, and in particular to create the possibilities of effectiveness--without constraint of plan limits--for quick-return investments linked with the solution of especially important problems, such as the activation of market or export production and the conservation of energy and other scarce materials and supplies.

In the NPSG, in the general investment balance, it would be necessary to allocate the unaddressed pool of outlays, increased in subsequent years in proportion to the termination or continuation determined by the socioeconomic goals, for quick-return modernization, assuring the realization of those goals. The system of quick-return modernization, beyond the limits of outlays established in the plan, has been verified in practice and brings especially high and useful economic effects. An example is the effects envisaged from investments for financing in 1979 and 1980. The average economic effect per zloty of investment (cost-estimate) per year will be:

--from 1.35 to 1.50 through increased market production;
--from 0.44 to 0.53 through increased export production;
--from 0.20 to 0.40 through the increase of other economic effects, that is, a total of 1 zloty of investment thus expended brings a saving of 2 to 2.4 zloty.

An overwhelming majority of the modernization tasks thus realized has attained the required rate of return in the planning period. In the relatively small portion of the tasks that did not attain the required rate of return, delay was caused mainly by shortages in energy supplies or shortages of raw materials and supplies.

In a number of cases, modernization costs are lower than planned. This indicates the advisability of further developing this form of investment.

Therefore, Existing Order No 16 of the Planning Commission chairman relating to non allotment forms of investment, in the course of so-called quick-return modernization, through appropriate expansion and attenuation of too severe requirements (at present a repayment period of 24 months, a realization cycle of not more than 8 months, a quota of construction and installation work not greater than 10 percent of the cost and a maximum cost of 25 million zloty) and through expansion of those investment categories to areas especially sensible in the economy (especially expanded production of supplies for agriculture and the food economy), could rapidly set in motion through investments considerable effects in overcoming economic difficulties, with useful efficiency relations. This would be a step toward conducting efficiency competitions in the allocation of investment credits.

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FINANCE MINISTER INTERVIEWED ON MONETARY REVALORIZATION

Warsaw TRYBUNA LUDU in Polish 8-9 Aug 81 pp 3,5

[Interview with Finance Minister Marian Krzak on monetary revalorization, by Ryszard Bilski]

[Question] During the last session of the Sejm [Parliament] you made, Comrade Minister, an announcement--applauded by the members of Parliament--that once the officially announced increase of retail prices is enacted, it will be followed by revalorization of savings deposits in the PKO [General Savings Bank] and the cooperative banks. What will be the basis of such a revalorization?

[Answer] Our objective will be to protect the value of the deposits; therefore deposits will grow at the same percentage rate as the average level of prices. We shall take two courses of action: first, an increase of interest on the savings deposits; and second, revalorization.

The revalorization--according to the projected assumptions--will be nonrecurring and will take place after the last stage of the price increases, provided of course that the public agrees to price control by stages.

The revalorization will cover all types of savings bankbooks, including the so-called single-purpose bankbooks, but the basis for increasing the deposits will not be the same in each case. For instance, the criterion for the housing bankbooks will not be the increase of food prices or of the prices of other consumer goods, but the price of an apartment that the cooperative movement pays to the building contractors. The savings for the purpose of purchasing housing have for a long time been guaranteed by the state, but I must say that the present system should be improved and we intend to do that.

[Question] What can the owners of the motor vehicle bankbooks expect?

[Answer] As we know, last year's prices of cars are binding for this year. We intend to pay much higher interest, as on long-term deposits, on bankbooks that have not been drawn out by lot. Here I would like to remind you: the number of those who want to buy a car is around three times higher than the number of cars planned to be produced in the years 1982-85. Therefore, those unlucky persons who have to wait longer will be compensated. I hope that in the future the accumulated savings will become a real source for financing the development of automobile manufacturing and for providing better for those who save to buy a car. We shall work on that.

[Question] Your assurance about revalorization shows that the recent rumors about money conversion are false. I ask you, however, to define clearly the stand of the Ministry on that point.

[Answer] There will be no money conversion. There is neither need for that nor...possibility. One resorts to that kind of the financial maneuver only in special cases, i.e., when it is necessary to remove from the market cash piled up in a way contrary to our social aims. Recent examples in the mass media of the monetary reforms in FRG and Poland in the first years after World War II are no analogy at all to the present situation, because in the FRG they eliminated the money of Hitler, and in Poland, the money issued during the war. Large savings were not made then. But a precedent had been created--the conversion did not infringe on the savings deposits kept in the banks. Besides, there is some thought of a stabilization loan at a high interest rate, long-term and guaranteed. So what would be the point of money conversion, if we can replace with bonds a part of the inflationary curve.

[Question] Then, Comrade Minister, in your opinion, why do people so fear that money conversion will take place?

[Answer] During discussion on changes in retail prices and on the improvement of their structure, very often opinions are expressed that instead of raising the prices, it would be better to strengthen the currency and increase its value. One must admit that those are attractive proposals, but they are based on wrong assumptions.

Not to mention the fact that money conversion would destroy society's trust in the forthcoming economic reforms. The gist of the problem is that one cannot separate money from price, because the life of the money begins with price. It is its first step. After all, price is nothing other than the value of the merchandise expressed in money. If prices are wrong, then money, too, is wrong.

[Question] Agreed. But the value of money is quickly decreasing, probably faster than productivity. To restore the currency's value and to strengthen its role in society's economic life--is, too, the problem of restoring trust. It is indispensable and urgent.

[Answer] Clearly, but through putting the whole price system in order. Here I would like to underline: the system of prices. The increase of this or that price is not important in itself, but what really matters is to guarantee the permanent existence of balanced prices. Any price that is not a balanced price weakens money and cancels the function of money, and above all the most important function--that permits the exchange of money at any time, for any merchandise, without obstacles and limitations.

Only balanced prices guarantee the proper realization of one of the most basic principles of our political system: to each according to his work. Because what is the use of the wage ratios, if the wrong structure and wrong level of prices make it impossible to use, as it is today, the income in accordance with the needs of society? Even the best system of rationing and prepayments will not secure that. When people have money but cannot buy as much meat as they need, when their access to manufactured goods is limited, then the incentive for productive work declines.

[Question] But balanced prices may be established on different levels. The present speculative prices of some goods in the bazaars that are many times higher than the prices on the price lists, may, too, be considered as a kind of balanced prices.

[Answer] I'll say this briefly: in order to have fair and objective balanced prices, there must be competition. And the conditions of competition are favored and guaranteed by the economic reforms. It is impossible--in my opinion--to have reform without changing the prices, because then one could not say that the plants are independently operated and financed.

Besides, let us remember that a reform is a "road through hell" and not along a smooth highway. Anyone who thinks that reform means less work and effort is deeply mistaken. What do we need most? Intensive but sensible work paid for in accordance with its proportions.

[Question] The present realities are: for each commodity the balanced price would have to be higher than the present legal price.

[Answer] But please do not forget that at present in many cases the low prices are obligatory--unfortunately--only on paper. They are real only under government rationing, that is, when the possibility of using all income is limited. On the other hand, once the balanced prices are introduced, the increase in the cost of living will be lessened by a proper system of compensation.

[Question] The term proper means: giving to some people and taking away from others.

[Answer] Only partly, yes. The more we protect the savings deposits and the more the idea of stabilization loans is developed, the less the drain from the system of compensation.

In the long run the balanced prices should contribute above all to the development of production. I say "should," because one more condition is indispensable: the same price for both the consumer and the producer. Only then the social preferences expressed by the acceptance by the buyers of the higher (balanced) prices will encourage the producer; he will become really interested in producing.

[Question] People fear the announced reform of prices, and their fears have their sources in the deep conviction that the market mechanism--generally speaking--does not facilitate the realization of the social aims, and does not protect the interests of the working people.

[Answer] I want to add that an illusion has been created to the effect that the state can freely set prices and increase wages. Nothing could be more untrue and destructive.

Keeping prices on the same level at the same time that wages increase--during the last 12 months wages increased by 27 percent--and in the face of decreasing production has brought about the empty shelves in the stores.

The social rights in the form of wages and income are much higher today than the market value of merchandise. That is why nobody is able to realize in full those rights.

People received more money and Saturdays off, but labor productivity has not increased.

The argument for free Saturdays: "This way or that, there is nothing to produce from"--is basically false. It means that we want to live at the expense of others. Raw materials are either obtained in the country or bought abroad in exchange for goods we have produced here. Owing to the pressure for shorter work time and for excessive wage increases and not to speak about the errors committed in the past, the driving wheel has been set in motion backwards; this especially concerns the raw-materials sectors.

Unfortunately, voluntariness has become nowadays the disease of those who proclaimed the war against it.

Going back to the main subject. The market will henceforth be regulated, but not confined. The main instruments for economically influencing the market and the producers--besides prices--will be credit, interest rates, and taxes. Doubtlessly, the price of credit will increase, but simultaneously with interest on savings deposits.

[Question] Comrade Minister, how is that: first we were told that the implementation of economic reform should be preceded by the reform of producer prices; it was even pondered how the budget could protect society--at least for several months--from unavoidable increases in retail prices. And now it is the retail prices that are to be increased first.

[Answer] The first prices to be increased will be food prices. We have, however, already behind us the increase of procurement prices, which are the producer prices of food. So I do not see here any change in the tactics or logic.

I consider it unthinkable to increase, for instance, the price of coal first for the individual consumers and later for industry. This must take place either simultaneously or in the reverse sequence. As for the balanced prices, I emphasize--the same price for the consumer and the producer, taking into account the costs of turnover.

[Question] Our zloty is rapidly falling, the best proof of which is the quick increase in the foreign currency exchange rate. For one dollar they pay in Warsaw 250 zlotys, and in other cities, apparently even more.

[Answer] The maximal, real exchange rate of the dollar, even under the present critical conditions, after deducting subsidies, is around 70 to 100 zlotys. The increased demand for dollars hoists up the price; this is understandable. People buy up foreign currency because they get in the Pevex shops merchandise unobtainable on the market. The possession of foreign exchange permits one to open private accounts that today are necessary for travel abroad. Finally, people think that it is the best way to invest their money.

[Question] Isn't that true?

[Answer] In my opinion, the ones who make the best bargain are those who sell dollars at such a high price, because I am convinced that the value of dollar will not further increase after the reforms are made. The price reform and at the same time economic reform will strengthen the position of the zloty in relation to other currencies.

[Question] A few months ago at a press conference, you promised, Comrade Minister that next year we would kiss the foreign exchange zloty goodbye--that artificial creation that confounded and darkened the image of foreign trade and our economy.

[Answer] I do not take back my word. We have already prepared a decision that, beginning from 1 January 1982, the foreign exchange zloty will exist no more. Standardization of the foreign currency exchange rate will take place then. Accounts and statistics will become clearer.

It will be simply a Polish and not a foreign-currency zloty. It is necessary, however, in the long run, to do everything to make the zloty as strong as foreign currency.

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 15 Sep 81 p 4

[Text]

Polish National Bank Warsaw 15 September 1981

Excerpt From Foreign Exchange Rate Table No 17/81

Special Currency Exchange Rates in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Australia	1 Australian Dollar	39.28	40.88	40.08
Austria	100 Schillings	197.61	205.67	201.64
Belgium	100 Francs	84.77	88.23	86.50
Denmark	100 Kroner	441.37	459.39	450.38
Finland	100 Markkas	754.08	784.86	769.47
France	100 Francs	579.53	603.19	591.36
Greece	100 Drachmas*	57.70	60.06	58.88
Spain	100 Pesetas	34.99	36.41	35.70
Holland	100 Florins	1,169.10	1,216.82	1,192.96
Japan	100 Yen	14.78	15.38	15.08
Yugoslavia	100 Dinars*	125.10	130.20	127.65
Canada	1 Dollar	28.18	29.34	28.76
Lebanon	100 Pounds	792.25	824.59	808.42
Luxemburg	100 Francs	84.77	88.23	86.50
Norway	100 Kroner	557.88	580.66	569.27
Portugal	100 Escudos*	52.04	54.16	53.10
Federal Republic of Germany	100 Marks	1,385.03	1,441.57	1,413.30
United States	1 Dollar	34.21	35.61	34.91
Switzerland	100 Francs	1,590.93	1,655.87	1,623.40
Sweden	100 Kroner	651.19	677.77	664.48
Turkey	100 Pounds*	34.06	35.46	34.76
Great Britain	1 Pound	62.88	65.44	64.16
Italy	100 Lira	2.78	2.90	2.84

* In purchase of currency from below listed countries the following exchange rates are used:

Greece	100 Drachmas	54.98
Yugoslavia	100 Dinars	86.20
Portugal	100 Escudos	51.09
Turkey	100 Pounds	31.17
Italy	100 Lira	2.76

Special currency exchange rates are used in settlement of accounts for current transactions.

Basic Currency Exchange Rates With a Surcharge in Zlotys

		Foreign Exchange and Money		
Country	Foreign Currency	Purchase	Sale	Average
Albania	100 Leks	181.84	183.66	182.75
Bulgaria	100 Leva	2,182.21	2,204.15	2,193.18
Czechoslovakia	100 Koruny	211.24	213.36	212.30
People's Republic of Korea	100 Won	1,057.19	1,067.81	1,062.50
Cuba	100 Pesos	1,730.05	1,747.43	1,738.74
Peoples Republic of Mongolia	100 Tugriks	459.41	464.03	461.72
German Democratic Republic	100 Marks	720.13	727.37	723.75
Romania	100 Lei	215.42	217.58	216.50
Hungary	100 Forints	130.20	131.50	130.85
Vietnam	100 Dongs	1,000.28	1,010.34	1,005.31
USSR	100 Rubles	2,304.42	2,327.58	2,316.00

Basic currency exchange rates with a surcharge are used for non-trade payments. For travellers checks purchased in rubles from the Foreign Trade Bank of the USSR, and payable outside the USSR in the currency of the country where used, the exchange rate of 4,654.5 zlotyz for 100 rubles will be used. Exchange rate table No 16/81 dated 21 August 1981 is no longer valid.

Exchange rate tables are available for view at all branches of the Polish National Bank.

CSO: 2600/340

GROWTH OF CHEMICAL INDUSTRY IN FIRST 4 MONTHS OF 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15-17 Aug 81 p 2

[Article by Dusan Ivanovic]

[Text] Yugoslav business interests were certainly pleasantly surprised by the results of development in the chemical industry in the first 4 months of this year, particularly since the factors that accompany its prosperity are both numerous and objective. Although it would have been satisfying had its growth rate in the present intermediate period been the 8.5 percent rate that was recorded, the industry also accomplished results that could only be hoped for. Specifically, basic chemical production is currently growing at a rate of 15 percent in comparison with the same period last year, while processing of semimanufactured materials showed 11 percent, and rubber processing 8 percent growth. Thus it would be desirable for this to continue, although it is hard to believe that it will. It is well known that growth will slow in the second half of the year due to shortages of raw materials and semimanufactured materials, particularly imported goods.

Even with all these factors in mind, authorities nonetheless estimate that both the basic and the processing branches of the chemical industry, along with the tire and rubber industry, will continue to record a growth rate above that of Yugoslav industry as a whole in the coming months. The growth, however, will not be as convincing as during the first 6 months. Finally, when all the factors that affect production positively and negatively have been felt, the overall results in the chemical industry will correspond to the growth rate anticipated for this year and for the intermediate plan period. In the first 4 months, foreign trade results were also good, with the basic and processing chemical branches exporting more than 300 million dollars worth of products. That meant an improvement of fully 87 percent in comparison with the same period last year. Rubber processing plants also more than doubled their exports, bringing in nearly 45 million dollars of foreign exchange income.

All of this would be fine, except for the fact that imports for the chemical industry also showed a high growth rate, even though it was less than the growth in the rate of exports. Imports were 78 percent higher than during the same period last year. Rubber processing recorded successes, because their imports fell by 58 percent.

Export-import trends in the chemical industry show more dynamic fluctuations than those in industry as a whole. It is also significant that the ratio of these two factors are swinging markedly in the direction of exports.

The Parameters are not so Elastic

The chemcial industry, however, is only a part of industry as a whole, where the growth rate is supposed to be about 4.5 percent. Furthermore, economic investments in this period of development are to be rather limited, and the chemical industry can expect to receive some 90 billion dinars in investments. With that amount of money, it should develop fully twice as fast. In fact, it can count on some 10 percent of total economic investments, which are aimed at strengthening its production potential. Obviously, the parameters for its prosperity are not so abundant and elastic; in other words, a great deal is expected from the chemical industry, but without corresponding investments.

In the chemical industry itself, the advantage should go to basic chemicals, which should comprise 60 percent of the total, and not 45 percent as presently (with processed chemicals making up the remainder). That means that at least some 80 percent of investment capital should be directed into development of the basic chemical branch, which stagnated in the past intermediate plan period, or grew at only half the rate recorded by the processing branch.

With this amount of investments for development, about 14 billion dinars would remain for developing the processing branch, and 4-5 billion for the rubber industry.

Despite restricting factors, the chemical industry should reach a significant turning point in its development, for in order to develop optimally, any economy must have at least 10 percent of its industry devoted to chemical production. Indeed, some branches, such as the pharmaceutical industry, depend directly on the chemical industry, which produces raw materials and semimanufactured materials; a similar situation is found regarding the production of mineral fertilizers and protective substances.

There Have Been Enough Lessons

It is certain that the results of development and operations in the chemical industry will be affected considerably by prices for raw materials and semimanufactured goods, primarily in foreign markets, since the industry is such a large importer. It would be desirable for exports not to grow at a rate above 8 percent annually, in order to reach a total of 1.6 billion dollars by the end of the current intermediate period, with the provise that in the same year, imports should not total more than 2.6 billion dollars. These 2 numbers are projected on the basis of price trends in the past year. It is not impossible that major variations could occur.

For that reason, it is essential to develop domestic raw material supplies. There have been too many lessons learned concerning that fact. For caustic soda alone, based on last year's prices, it will be necessary to designate 6 billion dinars worth of foreign exchange, for caustic soda must be imported because domestic production cannot satisfy demand. A very similar situation is found concerning calcinated soda, another basic chemical product, and with numerous other basic substances that are essential for the production of pneumatic equipment and supplies, synthetic fibers, detergents, etc.

We must reach a decision as to whether we will explore domestic phosphate deposits, or continue to import almost the entire quantity needed by Yugoslav industry. In the same way, where the rubber industry is concerned, we must decide whether we will buy rubber tree plantations in the outside world, or force the use of synthetic rubber that can be produced by processing crude oil, which is becoming ever more expensive. A large share of imports for the chemical industry, about 27 percent, goes for purchasing technology. Annually, about 200 agreements are concluded with foreign firms for various technological processes. Clearly, a selective approach is essential here as well.

12,131
CSO: 2800/339

TRANSPORT PROBLEMS IN YUGOSLAV-SOVIET TRADE

Belgrade TRANSPORT in Serbo-Croatian No 7, Jul 81 pp 6-7

[Article by Avdo Zvonic]

[Text] The twenty-first session of the Intergovernmental Yugoslav-Soviet Committee for Economic and Scientific and Technical Cooperation was held at the end of May this year. At the session, a positive evaluation was made of cooperation between the two countries so far, and a framework was established for future advancement of that cooperation. As at earlier sessions, the problem of transport was highlighted this time, with emphasis on the fact that transport represented a limiting factor in the implementation of commerce.

At the 17th session of the intergovernmental committee, held from 24 to 26 September 1979 in Belgrade, it was resolved that a task force would be formed of representatives of the two countries, to work on cooperation in transport. The task force was to prepare proposals for a long-term plan of cooperation between the two countries in the area of transport. From that time until April of this year, the task force held three meetings, at which its members prepared and finally approved the "Long-Term Cooperation Program Between Yugoslavia and the USSR in Transportation for the Period 1981-1990." The task force also dealt with transport problems in current trade, for certain bottlenecks in transport are retarding the dynamics of trade.

All of the deliberations of this task force were dominated by the same problems of transport restrictions in transit through neighboring countries such as Hungary and Romania, and on toward the USSR. These are caused in large part by unfavorable dynamics of goods deliveries, and by enormous increases in the shipment of goods in the fourth quarter of every year. These problems could be avoided by concluding agreements on shipments and open lines of credit, as well as by exercising more resolve in using means of transportation other than the railroads; other types of transportation have greater potential that it not being used.

The formation of the task force proved to be justified, in that its activities since its establishment have given positive results, even though a significant part of the problems it should solve remain for the coming period.

It should be stressed that the transport problem relates primarily to goods moving from Yugoslavia to the USSR (amounting to about 1.4 to 1.5 million tons), with fewer difficulties coming in shipments from the USSR to Yugoslavia (where about 12 million tons are involved). The reasons relate to the nature of goods and greater or lesser burdening of transport routes, as well as to greater or lesser reliance on particular modes of transport. Specifically, the basic transport problem is in railroad transportation from Yugoslavia to the USSR, while other forms of transportation have much greater potential capacity than is being utilized.

The degree to which the problem of transportation in Yugoslav-Soviet economic cooperation has burdened that cooperation for the past few years is shown by the fact that the Yugoslav Economic Chamber's Section for the Advancement of Cooperation with the USSR has formed a Commission for Transport with the aim of more complete examination of the problem from the point of view of involved associated labor organizations.

In connection with existing difficulties in railroad transport, which were particularly pronounced in the second half of 1980, the Federal Committee for Transport and Communication and the Yugoslav Economic Chamber's Section for the Advancement of Cooperation with the USSR addressed a questionnaire to all foreign trade and production organizations that are involved in exports from Yugoslavia to the USSR, to determine their plans for 1981 regarding the use of particular forms of transportation and transport routes for implementing Yugoslav exports. Analysis of the data gathered led to the conclusion that, despite previous difficulties in railroad transport, Yugoslav exports should still be sent by rail (comprising about 90 percent of the total) and by existing available transport capacities.

At the latest session of the task force, the possibilitied for using new rail routes for the transit of Yugoslav goods through Bulgaria and Poland to the USSR were considered. Special attention was also devoted to preparing an agreement on container shipments on particular modes of transportation. This topic will be discussed at a special session at the coming task force meetings.

Measures are being taken to prepare the conditions for opening the highway route between Belgrade and Moscow, as well as to open up a maritime line from the Adriatic to the Black Sea for shipping foreign trade goods in both directions.

The volume of rail shipments for 1981 from Yugoslavia via Hungary was set at 900,000 tons (including 600,000 tons of hydrated alumina); this represents and increase of about 200,000 tons compared to the final totals for 1980. Shipments through Romania were set at 500,000 tons, which also represents an increase of about 200,000 tons compared to last year's final totals. These increases in rail shipments from Yugoslavia to the USSR provide for all goods shipments under conditions of balanced shipping dynamics with the aim of placing the least possible limitations on Hungarian and Romanian railroads; such restrictions did occur in the first and second quarters this year. In the first 5 months of the year, about 80 percent of planned goods shipments took place on these routes. Hydrated alumina shipment totaled about 75 percent of the planned amounts, with frequent delays. The Romanian railroads also imposed transport limits, although the transport plan using this route was overfulfilled, totaling 120 percent of the planned amount. Relative to the monthly quotas that were approved directly by the Soviet railroads for Yugoslav goods, shipment accomplished via Hungary totaled only 65 percent, and that via Romania but 79 percent of the plan, and it is estimated that the major difficulties in railroad transport to the USSR will continue to be present, chiefly due to transfer problems on the part of the USSR.

In the first 4 months this year, Yugoslav highway shippers used 864 permits for shipping Yugoslav goods to the USSR. (In 1980 a total of 1,158 were used, with but 98 in the first 4 months. Highway transport has become very actively involved in implementing goods shipment between Yugoslavia and the USSR, particularly for those goods that can support the relatively high shipping costs of this mode of transportation.*)

In the first 3 months of the year, river transport from the Soviet Union totaled about 103 percent, and from Yugoslavia about 110 percent of the plan, but it must be stressed that this mode of transportation is insufficiently utilized, particularly for shipments from Yugoslavia to the USSR. There is available capacity that must be used much more effectively in implementing Yugoslav exports to the Soviet Union.

The planned volume of maritime shipping for exports from Yugoslavia in 1981 is strikingly low, amounting to but 10,000 tons. This is absolutely unsatisfactory, particularly when we keep in mind the present and anticipated difficulties in railroad shipping during the year.

In that connection it was recommended at the third session of the task force for foreign trade and transport organization that the 2 countries consider the possibility of increasing shipments on sea and river routes in 1981, specifically for supplemental shipments between the 2 countries. No effect can be expected on regular shipments, since most foreign trade agreements on deliveries for the year have already been concluded. This fact leads to the conclusion that this type of transport must be involved more effectively in foreign commerce between Yugoslavia and the USSR in the period ahead.

For years, river shippers and maritime carriers, as well as air carriers, have been offering their services, most often at favorable rates, but re-orientation from the traditional shippers has gone slowly. If the truth be told, inflexibility regarding modes of transportation has emerged as a consequence of the failure to solve problems of container shipping in Yugoslavia in general and especially in transport with the USSR. For this reason, an agreement was reached to consider and prepare agreements on containerization this year for river, railroad and combined shipping. This should be the subject of discussions this year in order to resolve the problems starting in 1982.

It was also determined that a redirection of goods from the railroad to other modes of transport is imperative, for obviously all previous requests for timely agreements and the establishment of credits for balanced transport have not provided encouraging results. This fact highlights the need for agreements on switching goods of interested organizations of associated labor to certain modes of transportation, and for continued efforts to achieve more balanced deliveries in each quarter of the year.

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* These discussion were accompanied by a willingness on the Soviet side to set up 2 centers on Soviet territory for transferring goods being shipped by highway and for assuring return loads.

YUGOSLAVIA

BRIEFS

CROATIAN ENERGY SHORTAGE--This year there will be about 14 percent less oil derivatives available on our market than last year. Most noticeable is the lack of mazut, resulting in a very difficult situation for the Croatian electric power industry, which is based on mazut-fired thermal electric power plants. It was specified that this year these plants will operate only 3,000 hours which means using a little less than 50 percent of their capacity and consuming 620,000 tons of mazut. Operating time can be increased in an exceptional case by a special FEC decision. At present there is not enough liquid fuel for them not for other large consumers. INA has requested that total amounts of mazut for Croatia be increased this year from 1,650,000 tons to 1,857,000 tons, but even then there will be a shortfall of about 327,000 tons. In regard to liquid oil gas, Croatia this year would need 173,750 tons for mass consumption and the economy, as well as for new industrial consumers, i.e., six plants [named] which were designed to operate on gas. However, the energy plan for this year which calls for a total country-side consumption of 463,000 tons of oil gas, or 10 percent more than last year (and 17.3 percent more for Croatia) will not be possible to achieve. Croatian consumers also lack about 1.3 million tons of coal which will not be easy to buy in other republics because 400 to 1,500 dinars per ton is being asked as money to be pooled to develop production. The energy situation in Croatia this winter will be very difficult and one of the most complex up to now, because of the lack of oil derivatives which results from the fact that our own production will be only 10.97 million tons [of refined oil] and 460,000 tons of oil products, considerably below actual needs. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Sep 81 p 5]

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